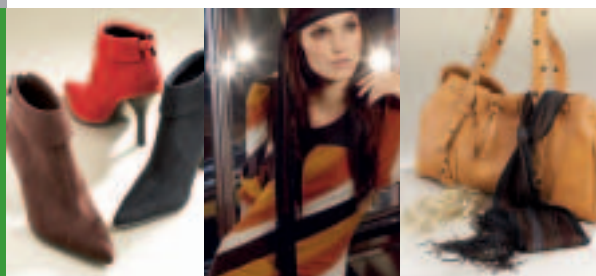




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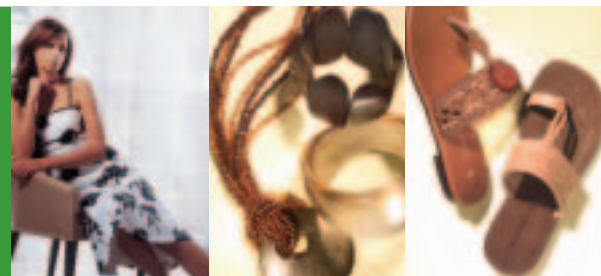
### TRUWORTHS INTERNATIONAL LIMITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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# INDEPENDENT AUDITOR'S REPORT

## to the members of Truworths International Limited



### Report on the financial statements

We have audited the annual financial statements and Group annual financial statements of Truworths International Limited, which comprise the directors' report, the balance sheets as at 24 June 2007, the income statements, the statements of changes in equity and cash flow statements for the period then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 105 to 187.

### Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and the Group as at 24 June 2007 and of the financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

*Ernst & Young Inc.*

**Ernst & Young Inc.**

Registered Auditor

23 August 2007

Cape Town

## APPROVAL OF ANNUAL FINANCIAL STATEMENTS



The directors' responsibility for the annual financial statements is set out in the Corporate Governance Report on page 70.

The company annual financial statements and Group annual financial statements which appear on pages 105 to 187 were approved by the board of directors on 23 August 2007 and are signed on its behalf by:

**H Saven**  
Chairman

**MS Mark**  
Chief Executive Officer

23 August 2007

## CERTIFICATE BY COMPANY SECRETARY



I certify that, in respect of the period under review, the company has lodged with the Registrar of Companies all returns required of a public company in terms of the South African Companies Act 61 of 1973, and that all such returns are true, correct and up to date.

**C Durham**  
Company Secretary

23 August 2007

## DIRECTORS' REPORT at 24 June 2007



The directors have pleasure in submitting their report together with the company and Group annual financial statements for the 52-week period ended 24 June 2007.

### **Nature of business**

The company is an investment holding and management company with trading subsidiaries engaged either directly, or through franchises and agencies, in the retailing of fashion apparel and related merchandise. The Group operates principally in southern Africa.

### **Results of operations**

The results for the period are detailed in the attached Group and company annual financial statements.

### **Dividends**

Details of the dividends paid by the company during the period are contained in note 13 of the company annual financial statements. On 23 August 2007 the directors of the company resolved to declare a final dividend in respect of the period in the amount of 60 cents per share, to shareholders registered on 14 September 2007.

### **Property, plant and equipment**

There were no major changes in the nature of the Group's property, plant and equipment during the period, but the useful lives and residual values of certain of these assets were reassessed.

### **Share capital**

Details of the authorised and issued share capital of the company and the movements during the period are contained in note 5 of the company annual financial statements.

### **Directors and secretary**

The names of the directors and company secretary in office at 24 June 2007 are set out on pages 22 and 23 and on the inside back cover respectively of the annual report. Mr SM Ngebulana was appointed as an independent non-executive director with effect from 1 May 2007.

### **Subsidiary companies**

Annexure one, containing full particulars of the Group's subsidiary companies, appears on page 180 of the annual financial statements.

### **Borrowing powers**

In terms of the company's articles of association, its borrowing powers are unlimited. The borrowing powers of the Group's wholly-owned operating subsidiary, Truworths Limited, may in terms of its articles of association be limited by the company. Any borrowings by the Group, were they to be made, would be subject to the provisions of the Group's board-approved treasury policy.

### **Special resolutions by subsidiary companies**

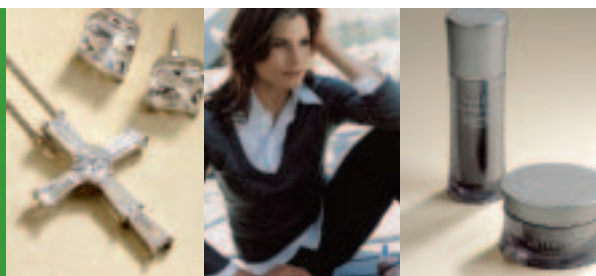
During June 2007 by way of special resolutions the names of the newly acquired subsidiary companies Quickvest 469 (Pty) Limited and CShell 462 (Pty) Limited were changed to Truworths Investments Three (Pty) Limited and Truworths Investments Four (Pty) Limited respectively, the description of their main business was changed to investment holding as principal, their articles were changed to permit share capital reductions and they were generally authorised to acquire the shares of their holding company. During January 2007 a special resolution was passed by Truworths Investments Two (Pty) Limited in terms of which its authority to acquire the shares of its holding company was renewed for a further year.

No other special resolutions were passed by subsidiary companies during the period under review, or between the period-end and the date of this report.

### **Events subsequent to period-end**

No event which is material to the understanding of this report has occurred between the financial period-end and the date of this report.

## GROUP BALANCE SHEETS – at 24 June



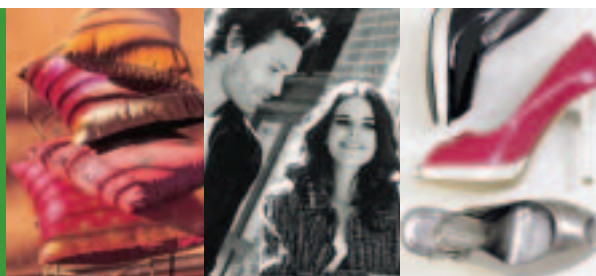
	Note	2007 Rm	2006 Rm	
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	2	455	379	
Goodwill	3	72	52	
Intangible assets	4	55	21	
Financial assets	5	155	122	
Deferred tax	14	18	-	
<b>Current assets</b>		<b>2 582</b>	<b>2 060</b>	
Inventories	7	353	290	
Trade and other receivables	8	1 962	1 519	
Financial assets	5.1	13	-	
Prepayments		38	32	
Cash and cash equivalents	9	216	219	
<b>Total assets</b>		<b>3 337</b>	<b>2 634</b>	
<b>Equity and liabilities</b>				
<b>Capital and reserves</b>				
Share capital and premium	10, 11	36	14	
Treasury shares	12	(421)	(528)	
Non-distributable reserves	13	23	12	
Retained earnings		2 756	2 410	
Attributable to equity holders of the parent		2 394	1 908	
Minority interest		10	-	
<b>Total equity</b>		<b>2 404</b>	<b>1 908</b>	
<b>Non-current liabilities</b>				
Deferred tax	14	-	11	
Post-retirement medical benefit obligation	15	25	23	
Cash-settled compensation liability	25.6.2	23	7	
Straight-line operating lease obligation	16.1	49	46	
<b>Current liabilities</b>		<b>836</b>	<b>639</b>	
Trade and other payables	17	606	460	
Minority interest loans	18	30	-	
Provisions	19	44	32	
Tax payable	30.4	156	147	
<b>Total liabilities</b>		<b>933</b>	<b>726</b>	
<b>Total equity and liabilities</b>		<b>3 337</b>	<b>2 634</b>	
<b>Number of shares in issue (adjusted for treasury shares)</b>	(millions)	10	433.5	433.9
<b>Net asset value per share</b>	(cents)		<b>555</b>	<b>440</b>
<b>Key ratios</b>				
Return on equity	(%)		<b>50</b>	44
Return on capital	(%)		<b>75</b>	66

GROUP INCOME STATEMENTS –  
for the period ended 24 June



	Note	2007 Rm	2006 Rm	% change	
<b>Revenue</b>	23	<b>5 326</b>	<b>4 213</b>	<b>26</b>	
Sale of merchandise	23	4 858	3 816	27	
Cost of sales		(2 166)	(1 765)	23	
<b>Gross profit</b>		<b>2 692</b>	<b>2 051</b>		
Net trading expenses		(1 420)	(1 097)	29	
Other income	24.1	95	81		
Depreciation and amortisation	24.2	(82)	(74)		
Employment costs	24.3	(557)	(442)		
Occupancy costs	24.4	(333)	(272)		
Other operating costs	24.5	(543)	(390)		
<b>Trading profit</b>		<b>1 272</b>	<b>954</b>	<b>33</b>	
Dividends received	23	-	2		
Interest received	23	345	288		
<b>Profit before tax</b>		<b>1 617</b>	<b>1 244</b>	<b>30</b>	
Tax expense	26.1	(527)	(420)		
<b>Profit for the period</b>		<b>1 090</b>	<b>824</b>	<b>32</b>	
<b>Attributable to:</b>					
Equity holders of the parent		1 080	823	31	
Minority interest		10	1		
<b>Total</b>		<b>1 090</b>	<b>824</b>		
<b>Cents per share</b>					
<b>Dividends</b>	27	<b>120</b>	<b>89</b>	<b>35</b>	
Final – payable September		60	45		
Interim – paid March		60	44		
<b>Key ratios</b>					
Gross margin	(%)	55	54		
Net trading expenses to sale of merchandise	(%)	29	29		
Trading margin	(%)	26	25		
Operating margin	(%)	33	33		
Basic and headline earnings per share	(cents)	28.1	248.6	186.4	33
Fully diluted basic and headline earnings per share	(cents)	28.2	242.5	181.0	34

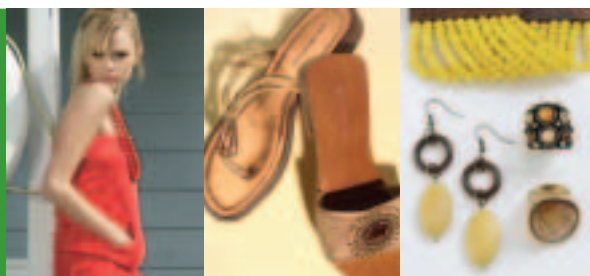
## GROUP STATEMENTS OF CHANGES IN EQUITY – for the period ended 24 June



	Note	Share capital and premium Rm	Treasury shares Rm	Non-distributable reserves Rm	Retained earnings Rm	Attributable to equity holders of the parent Rm	Minority interest Rm	Total equity Rm
<b>2006</b>								
Balance at beginning of period		197	(330)	9	1 947	1 823	13	1 836
Effective portion of cash flow hedge*	5.1	–	–	(3)	–	(3)	–	(3)
Profit for the period		–	–	–	823	823	1	824
<b>Total recognised income and expense for the period</b>		–	–	(3)	823	820	1	821
Dividends	27	–	–	–	(360)	(360)	(2)	(362)
Acquisition of minority interest in subsidiary		–	–	–	–	–	(12)	(12)
Premium on shares issued	11	17	–	–	–	17	–	17
Shares repurchased and cancelled	11	(200)	–	–	–	(200)	–	(200)
Shares repurchased	12	–	(198)	–	–	(198)	–	(198)
Share option expense	25.6.1	–	–	6	–	6	–	6
<b>Balance at end of period</b>		14	(528)	12	2 410	1 908	–	1 908
<b>2007</b>								
Balance at beginning of period		14	(528)	12	2 410	1 908	–	1 908
Effective portion of cash flow hedge*	5.1	–	–	9	–	9	–	9
Deferred tax on cash flow hedge*	14	–	–	(2)	–	(2)	–	(2)
Profit for the period		–	–	–	1 080	1 080	10	1 090
<b>Total recognised income and expense for the period</b>		–	–	7	1 080	1 087	10	1 097
Dividends	27	–	–	–	(456)	(456)	–	(456)
Premium on shares issued	11	22	–	–	–	22	–	22
Shares repurchased and cancelled	12	–	274	–	(278)	(4)	–	(4)
Shares repurchased	12	–	(167)	–	–	(167)	–	(167)
Share option expense	25.6.1	–	–	4	–	4	–	4
<b>Balance at end of period</b>		36	(421)	23	2 756	2 394	10	2 404

\* Recognised directly in equity

## GROUP CASH FLOW STATEMENTS – for the period ended 24 June



	Note	2007 Rm	2006 Rm	
<b>Cash flows from operating activities</b>				
Cash flow from trading	30.1	1 389	1 048	
Dividends received	30.1	–	2	
<b>Cash EBITDA *</b>		<b>1 389</b>	<b>1 050</b>	
Working capital movements	30.2	(372)	(274)	
<b>Cash generated from operations</b>		<b>1 017</b>	<b>776</b>	
Interest received	30.3	345	288	
Tax paid	30.4	(549)	(563)	
<b>Cash inflow from operations</b>		<b>813</b>	<b>501</b>	
Dividends paid	30.7	(456)	(362)	
<b>Net cash from operating activities</b>		<b>357</b>	<b>139</b>	
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment to maintain operations	30.5	(31)	(21)	
Acquisition of property, plant and equipment to expand operations	30.6	(117)	(79)	
Acquisition of computer software	4	(8)	(7)	
Proceeds on disposal of property, plant and equipment		–	1	
Acquisition of minority interest in subsidiary		–	(26)	
Acquisition of net investment in subsidiary	30.8	(29)	–	
Minority shareholder loans repaid	18	(4)	–	
Loans advanced		(3)	(56)	
Loans repaid		4	37	
Acquisition of derivative financial instruments	5.1	(22)	(23)	
Proceeds on disposal of derivative financial instruments		4	–	
Settlement of cash-settled compensation liability		(4)	–	
Proceeds on disposal of preference shares		–	30	
<b>Net cash used in investing activities</b>		<b>(210)</b>	<b>(144)</b>	
<b>Cash flows from financing activities</b>				
Proceeds on shares issued	11	22	17	
Shares repurchased by subsidiaries	12	(167)	(198)	
Costs incurred in cancelling shares		(3)	–	
Shares repurchased and cancelled	11	–	(200)	
Funding of post-retirement benefit obligation		(2)	(1)	
<b>Net cash used in financing activities</b>		<b>(150)</b>	<b>(382)</b>	
<b>Net decrease in cash and cash equivalents</b>		<b>(3)</b>	<b>(387)</b>	
<b>Cash and cash equivalents at the beginning of the period</b>		<b>219</b>	<b>606</b>	
<b>Cash and cash equivalents at the end of the period</b>	9	<b>216</b>	<b>219</b>	
<b>Key ratios</b>				
Cash flow per share	(cents)	28.3	187	114
Cash equivalent earnings per share	(cents)	28.4	268	202
Cash realisation rate	(%)	28.5	70	56

\* Earnings before interest, tax, depreciation and amortisation

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS



## Corporate information

The consolidated financial statements of Truworths International Limited and its subsidiaries (the Group) for the 52 weeks ended 24 June 2007 were authorised for issue in accordance with a resolution of the directors taken on 23 August 2007. Truworths International Limited, the holding company of the Group, is incorporated and domiciled in the Republic of South Africa, and its members have limited liability.

## Statement of compliance

The annual financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) and the South African Companies Act 61 of 1973.

## Glossary of financial reporting terms

This glossary of financial reporting terms is provided to ensure clarity of meaning, as certain terms may not always have the same meaning or interpretation in other countries.

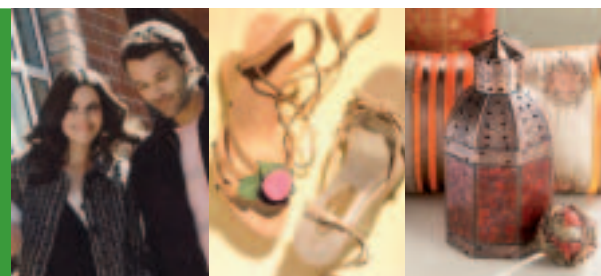
## Group structures

Company	Truworths International Limited – a legally incorporated business entity registered in terms of the Companies Act 61 of 1973 in South Africa.
Entity	Any one of Truworths International Limited, Truworths Limited, or a subsidiary.
Group	The Group comprises Truworths International Limited and all subsidiaries.
Subsidiary	Any entity over which the Group has the power to exercise control.

## Accounting

Acquisition date	The date on which an entity effectively obtains control of a subsidiary.
Allowance	An estimate of the reduction or diminution in cost of current assets, such as inventories and trade and other receivables.
Amortised cost	The amount at which a financial asset or financial liability is measured at the time of initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance) for impairment or uncollectibility.
Asset	A resource controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity.
Cash-generating unit	The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.
Consolidated financial statements	The financial results of the Group presented as those of a single economic entity.
Contingent liability	<p>a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of an entity.</p> <p>b) A present obligation that arises from past events but is not recognised because:</p> <ul style="list-style-type: none"><li>(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or</li><li>(ii) the amount of the obligation cannot be measured with sufficient reliability.</li></ul>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS



Control	The power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
Credit risk	The risk that counterparties fail to honour their financial obligations to the Group.
Currency risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
Defined benefit plan	Post-employment benefit plans other than defined contribution plans.
Defined contribution plan	Post-employment benefit plans under which the Group pays fixed contributions into a separate fund, and in respect of which the Group will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.
Discount rate	The rate that reflects current market assessments of the time value of money and the risks specific to an asset. It is the return that investors would require if they were to choose an investment that would generate cash flows of amounts, timing and risk profile equivalent to those that the entity expects to derive from the asset.
Equity	Equity is the residual interest in the assets of the entity after deducting all its liabilities.
Expense	A decrease in economic benefits during the accounting period in the form of outflows or depletions of assets or the incurrence of liabilities or otherwise that result in decreases in equity, other than those relating to distributions to shareholders.
Fair value	The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
Foreign currency	A currency other than the functional currency of the entity.
Functional currency	The currency of the primary economic environment in which the entity operates.
Income	An increase in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from shareholders.
Intangible asset	An identifiable non-monetary asset without physical presence.
Interest rate risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates of interest.
Liability	A present obligation of the Group arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.
Liquidity risk	The risk that the Group will, through limited access to cash, encounter difficulty in meeting obligations associated with financial liabilities.
Presentation currency	The currency in which the financial statements are presented.
Provision	A liability of uncertain timing or amount.
Purchase method of accounting	A method whereby an entity recognises the subsidiary's or associate's identifiable assets, liabilities and contingent liabilities at their fair values at the acquisition date.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS



Related party	<p>A party is related to an entity if:</p> <ol style="list-style-type: none"><li>directly, or indirectly through one or more intermediaries, the party:<ol style="list-style-type: none"><li>controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);</li><li>has an interest in the entity that gives it significant influence over the entity; or</li><li>has joint control over the entity;</li></ol></li><li>the party is an associate of the entity;</li><li>the party is a joint venture in which the entity is a venturer;</li><li>the party is a member of the key management personnel of the entity or its parent;</li><li>the party is a close family member of any individual referred to in (a) or (d) above;</li><li>the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e) above; or</li><li>the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.</li></ol>
Recoverable amount	For an asset or a cash-generating unit, it is the higher of its fair value less costs to sell, and its value in use.
Significant influence	The power to participate in the financial and operating policy decisions of an entity, but not to have control over those policies.
Segment revenue	<p>Revenue reported in the entity's income statement that is directly attributable to a segment and the relevant portion of entity revenue that can be allocated on a reasonable basis to a segment. Segment revenue does not include:</p> <ul style="list-style-type: none"><li>interest or dividend income unless the segment's operations are primarily of a financial nature; or</li><li>gains on sales of investment.</li></ul>
Segment expense	<p>Expense resulting from the operating activities of a segment that is directly attributable to the segment and the relevant portion of an expense that can be allocated on a reasonable basis to the segment. Segment expense does not include:</p> <ul style="list-style-type: none"><li>interest, including interest incurred on advances or loans from other segments, unless the segment's operations are primarily of a financial nature;</li><li>losses on sales of investments;</li><li>income tax expense; and</li><li>general administrative expenses, head office expenses, and other expenses that arise at the entity level and relate to the entity as a whole.</li></ul>
Segment result	Segment revenue less segment expense before any adjustments for minority interest.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

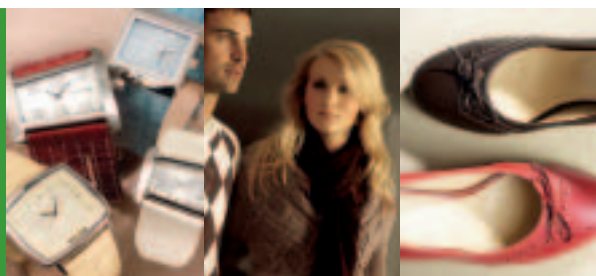


Segment assets	Those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets exclude income tax assets, as well as investments, where the resulting income arising from the investments is excluded from segment results.
Segment liabilities	Those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment liabilities do not include income tax liabilities.
Value in use	The present value of the future cash flows expected to be derived from an asset or a cash-generating unit.

### Financial instruments

Available-for-sale financial asset	Non-derivative financial assets that are designated as available-for-sale or are not classified as: <ul style="list-style-type: none"><li>• loans or receivables;</li><li>• held-to-maturity investments; or</li><li>• financial assets at fair value through profit or loss.</li></ul>
Cash and cash equivalents	Cash comprises cash on hand and demand deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.
Cash flow hedge	A hedge of the exposure to variability in cash flows that: <ul style="list-style-type: none"><li>• is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction; and</li><li>• could affect profit or loss.</li></ul>
Derivative financial instrument	A financial instrument: <ul style="list-style-type: none"><li>• whose value changes in response to movements in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract;</li><li>• that requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and</li><li>• that is settled at a future date.</li></ul>
Effective interest rate	The rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.
Equity instrument	A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.
Fair value hedge	A hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment that is attributable to a particular risk and could affect profit or loss.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS



Financial asset

Any asset that is:

- cash;
- an equity instrument of another entity;
- a contractual right:
  - (i) to receive cash or another financial asset from another entity; or
  - (ii) to exchange financial instruments with another entity under conditions that are potentially favourable; or
- a contract that will or may be settled in an entity's own equity instruments and is:
  - (i) a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
  - (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Financial asset or financial liability at fair value through profit or loss

A financial asset or financial liability that meets either of the following conditions:

- it is classified as held-for-trading; or
- upon initial recognition it is designated by the entity as at fair value through profit or loss. An entity may use this designation only when permitted, or when doing so results in more relevant information because either:
  - (i) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
  - (ii) a group of financial assets, financial liabilities, or both, is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the entity's key management personnel, for example the entity's board of directors and Chief Executive Officer.

Financial instrument

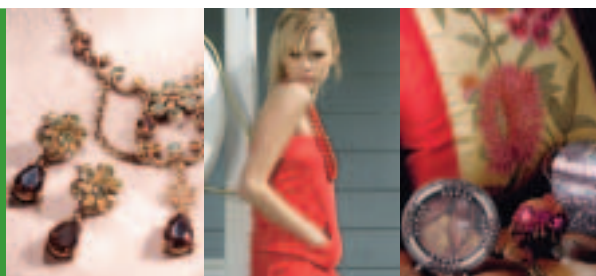
A contract giving rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial liability

Any liability that is:

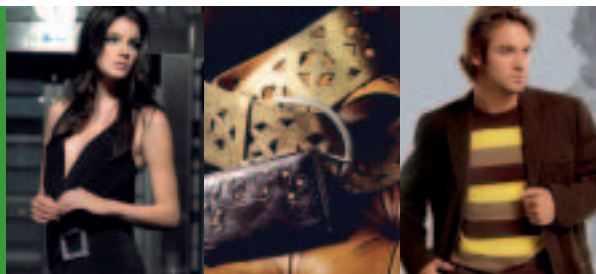
- a contractual obligation;
  - (i) to deliver cash or another financial asset to another entity; or
  - (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- a contract that will or may be settled in an entity's own equity instruments and is:
  - (i) a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS



- (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Forecast transaction	An uncommitted but anticipated future transaction.
Held-to-maturity investment	<p>Non-derivative financial assets with a fixed maturity and fixed or determinable payments that an entity has the positive intention and ability to hold to maturity other than:</p> <ul style="list-style-type: none"> <li>• those that the entity upon initial recognition designates as at fair value through profit or loss;</li> <li>• those that the entity designates as available-for-sale; and</li> <li>• those that meet the definition of loans and receivables.</li> </ul>
Held-for-trading financial instrument	<p>A financial asset or financial liability:</p> <ul style="list-style-type: none"> <li>• acquired or incurred principally for the purpose of selling or repurchasing it in the near term;</li> <li>• that forms part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or</li> <li>• that is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).</li> </ul>
Hedging instrument	A designated derivative or, for a hedge of the risk of changes in foreign currency exchange rates only, a designated non-derivative financial asset or non-derivative financial liability, whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item.
Hedged item	A liability or highly probable forecast transaction that exposes the entity to risk of changes in fair value or future cash flows and is designated as being hedged.
Hedge effectiveness	The degree to which changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk are offset by changes in the fair value or cash flows of the hedging instrument.
Loans and receivables	<p>Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:</p> <ul style="list-style-type: none"> <li>• those that an entity intends to sell immediately or in the near term, which shall be classified as held-for-trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;</li> <li>• those that the entity upon initial recognition designates as available-for-sale; or</li> <li>• those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, and which shall be classified as available-for-sale.</li> </ul>
Monetary items	Units of currency held and assets and liabilities to be received or paid in a fixed or determinable number of units of currency.



## 1. Principal accounting policies

### 1.1 Basis of preparation of financial results

The annual financial statements are prepared in accordance with the going concern and historical cost bases except where otherwise indicated. The accounting policies are applied consistently throughout the Group. The presentation and functional currency of the Group and company financial statements is the South African Rand (ZAR) and all amounts are rounded to the nearest million, except when otherwise indicated. The accounting policies adopted are consistent with those applied in the prior period except for the following:

1.1.1 **The Group has adopted the following new and amended IFRS and International Financial Reporting Interpretation Committee (IFRIC) interpretations during the period, and such adoption did not have any material effect on the financial statements of the Group. In some instances it might have given rise to additional disclosures.**

- IAS 1 and IAS 19 (AC 166), 'Amendment – Actuarial Gains and Losses, Group Plans and Disclosure'
- IAS 39 (AC 133), 'Amendment – The Fair Value Option'
- IAS 39 (AC 133); IFRS 4 (AC 141), 'Amendment – Financial Guarantee Contracts'
- IFRIC 4 (AC 437), 'Determining whether an Arrangement contains a Lease'
- IFRIC 9 (AC 442), 'Reassessment of Embedded Derivatives'
- IFRIC 8 (AC 441), 'Scope of IFRS 2'

The principal effects of these changes are as follows:

#### IAS 1 and IAS 19

The Group adopted the amendment which resulted in additional disclosures providing information about trends in the assets and liabilities in the defined benefit plans and the assumptions underlying the components of the defined benefit cost. The change has resulted in additional disclosures for the 2006 and 2007 periods. The Group has chosen not to apply the new option offered to recognise actuarial gains and losses outside of the income statement and therefore this change in accounting policy has had no significant impact on the Group. (Readers are referred to note 15 for further disclosure)

#### IAS 39

The amendment serves to restrict the use of the option to designate any financial asset or any financial liability to be measured at the fair value through profit or loss. The Group had not previously used this option and therefore this change in accounting policy has had no impact on the financial statements.

#### IAS 39 and IFRS 4

The amendment requires financial guarantee contracts that are not considered to be insurance contracts to be recognised initially at fair value and to be subsequently measured at the higher of the amount determined in accordance with IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', and the amount initially recognised less cumulative amortisation in accordance with IAS 18, 'Revenue'. The Group established that it had no financial guarantee contracts and therefore the change in accounting policy has had no impact on the financial statements.

#### IFRIC 4

The interpretation provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. The Group established that it is not party to any arrangements containing a lease and therefore the change in accounting policy has had no impact on the financial statements.



## **IFRIC 9**

The interpretation requires contracts to be assessed to determine whether they contain an embedded derivative at the date on which the Group becomes party to the contract, and prohibits reassessment unless there is a change to the contract that significantly modifies the cash flow. The change in accounting policy has had no impact on the financial statements.

## **IFRIC 8**

The interpretation requires IFRS 2, 'Share-based Payments' to be applied to any arrangements where equity instruments are issued for consideration which appears to be less than the fair value. The change in accounting policy has had no impact on the financial statements.

### **1.1.2 The Group has changed its accounting policy in respect of IAS 27, 'Consolidated and Separate Financial Statements'.**

#### **IAS 27**

The Group changed its accounting policy in respect of the accounting for its shares in subsidiaries. The Group has chosen to account for shares in subsidiaries at fair value, in accordance with IAS 39, 'Financial Instruments: Recognition and Measurement'. The Group previously accounted for shares in subsidiaries at cost. (Readers are referred to note 17 of the company annual financial statements for further disclosure)

### **1.1.3 The Group has adopted IFRIC 11 (AC 444), 'Group and Treasury Share Transactions' which is effective for annual periods beginning on or after 1 March 2007, earlier than required.**

#### **IFRIC 11**

The interpretation prescribes the manner in which companies within the Group, in their separate financial statements, account for schemes when their employees receive rights to equity instruments of the parent. The change in accounting policy has had no impact on the accounting treatment of such transactions within the Group.

### **1.1.4 The Group has made the following classification changes which have no effect on the profit for the current or prior period (Readers are referred to note 32 for further disclosure):**

- Provisions, previously disclosed under other payables, are now disclosed separately;
- Goodwill, previously disclosed under intangible assets, is now disclosed separately as goodwill;
- Other income, previously disclosed under other operating expenses, is now disclosed separately; and
- Additional commission and fraud protection fees have been classified as revenue.

### **1.1.5 IFRS, amendments and IFRIC interpretations not applicable to Group activities.**

Various other IFRS, amendments and IFRIC interpretations that have been issued and are effective have not been adopted by the Group as they are not applicable to its activities.

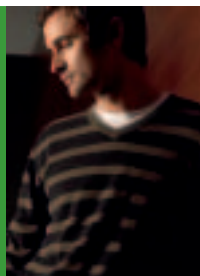
## **1.2 Basis of consolidation of financial results**

The consolidated annual financial statements comprise the annual financial statements of the company and its subsidiaries (including the employee share trust) and are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

### **Subsidiaries**

The results of subsidiaries are consolidated from acquisition date and cease to be consolidated on the date control ceases. When there is a disposal or loss of control of a subsidiary, the consolidated financial statements would include the results for the part of the reporting period during which the Group had control. Any difference between the net proceeds upon disposal and the carrying amount of the subsidiary is recognised in the income statement.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS



New acquisitions are included in the Group financial statements using the purchase method of accounting. The excess of the cost of the business combination over the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities is recognised as goodwill.

When control is obtained in successive share purchases, each significant transaction is accounted for separately. The identifiable assets, liabilities and contingent liabilities are stated at fair value when control is obtained. The purchase of minority shareholdings in existing subsidiaries is accounted for as an adjustment in the related goodwill balance.

Minority interests in the net assets are determined as the minority shareholders' proportionate share of the fair value of the net assets of the subsidiary acquired at the date of the original business combination, together with the minority's share of changes in equity since the date of the combination.

Intra-group balances, transactions, income and expenses are eliminated in full.

The company carries its investments in subsidiaries at fair value.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

### 1.3 Business combinations and goodwill

#### Initial recognition and measurement

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair value, at the date of exchange, of the assets given and liabilities incurred or assumed, plus any costs directly attributable to the business combination. The subsidiary's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognised at their fair values at the acquisition date, except for non-current assets that are classified as held for sale in accordance with IFRS 5, 'Non-Current Assets Held for Sale and Discontinued Operations', and are recognised and measured at fair value less costs to sell.

Goodwill is initially measured at cost, being the excess of the cost of the business combination over the Group's attributable share of the fair value of the net identifiable assets at the date of acquisition. If the Group's interest in the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

#### Subsequent measurement

If the initial accounting for business combinations has been determined provisionally, then adjustments to these values resulting from the emergence of new information within twelve months after the acquisition date are made against goodwill. In addition, the cost of the business combination and, subsequently, goodwill is adjusted for changes in the estimated value of contingent considerations in respect of the business combination when they arise.

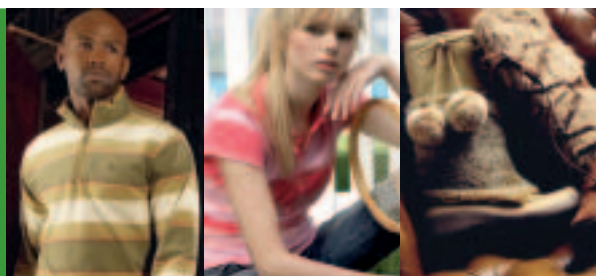
Goodwill is reflected at cost less any accumulated impairment losses.

#### Derecognition

Were goodwill to form part of a cash-generating unit disposed of, the goodwill associated with the operation disposed of would be included in the carrying amount of the operations when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance would be measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which might be retained.

#### Impairment

Goodwill is not amortised but tested for impairment on an annual basis, or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.



At the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment annually by assessing the recoverable amount, which is the higher of fair value less costs to sell and value in use, of the cash-generating unit to which the goodwill relates. The value in use is calculated as the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. The impairment loss is applied firstly to the carrying amount of any goodwill in the cash-generating unit assessed. Thereafter, any remaining impairment is allocated to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset. Impairment losses on goodwill cannot be reversed.

## 1.4 Foreign currency translation

The financial results of an entity are accounted for in its functional currency.

### Translation of foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates prevailing at the date of the transaction. Subsequent to initial measurement monetary assets and liabilities are translated at exchange rates prevailing at balance sheet date. Non-monetary items carried at cost are translated using the exchange rate at the date of the transaction, whilst assets carried at fair value are translated at the exchange rate when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translation of monetary items at rates different from those at which they were translated at initial recognition are recognised in the income statement, except in the consolidated financial statements where changes on monetary items that form part of the net investment in a foreign operation are recognised in the foreign currency translation reserve (FCTR). Exchange differences on non-monetary items carried at fair value are recognised in the income statement, except where the fair value adjustment is recognised directly in equity, in which case the exchange difference arising is recognised directly in equity.

### Translation of foreign operations

The financial statements of foreign operations are translated into the Group's presentation currency. Assets and liabilities are translated at the closing rate on the balance sheet date. Income, expenses and capital transactions (such as dividends) are translated at average exchange rates or at the prevailing rates on the transaction dates, if more appropriate. Goodwill and fair value adjustments which might arise on the acquisition of a foreign entity would be translated at the closing rate on the balance sheet date.

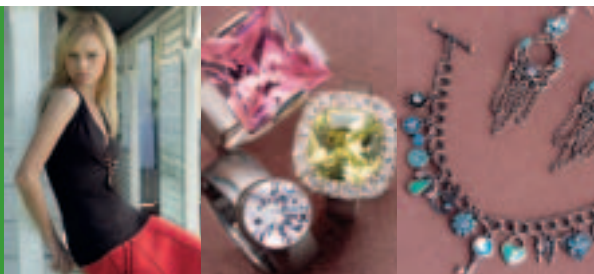
Exchange differences arising on translation are recognised in the statement of changes in equity in the FCTR. On disposal of part or all of the investment, the proportionate share of the related cumulative gain or loss previously recognised in the FCTR is included in determining the profit or loss on disposal of that investment and recognised in the income statement.

## 1.5 Property, plant and equipment

Each item of property, plant and equipment is initially recognised as an asset if it is probable that future economic benefits associated with the item will flow to the entity, and the cost of the item can be reliably measured. Each item of property, plant and equipment that qualifies for recognition as an asset is measured at cost, being the cash price equivalent of the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

### Land and buildings

Buildings owned by the Group are classified as owner-occupied property and shown at cost less accumulated depreciation and impairment losses. Land is shown at cost and is not depreciated.



## Plant, equipment, furniture and fittings

Plant, equipment, furniture and fittings are carried at cost less accumulated depreciation and impairment. When these assets comprise major components with different useful lives, these components are accounted for as separate items. Expenditure incurred to replace or modify a significant component of these assets is capitalised if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be reliably measured. Any remaining book value of the component replaced is written off in the income statement. All other expenditure is recognised in the income statement.

### Depreciation

Buildings, plant, equipment, furniture and fittings are depreciated to their estimated residual values on a straight-line basis over their expected useful lives. The depreciation methods, estimated remaining useful lives and residual values are reviewed at each reporting date, taking into account technological innovations and asset maintenance programmes. A change resulting from the review is treated as a change in accounting estimate. The depreciation expense is recognised in the income statement in the depreciation and amortisation expense category.

Depreciation commences when an asset is available for its intended use and ceases temporarily when the residual value exceeds the carrying amount. Depreciation ceases permanently at the earlier of the date the asset is classified as held for sale in accordance with IFRS 5 and the date that the asset is derecognised. The following depreciation rates apply:

Buildings	15 years
Plant, equipment, furniture and fittings	1 – 10 years
Computer equipment	5 years

### Derecognition

An item of property, plant, equipment, furniture and fittings is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses which arise on derecognition, are included in the income statement in the period of derecognition. The gain or loss is calculated as the difference between the net disposal proceeds and the carrying amount of the item at the date of sale.

### Impairment

Impairment of property, plant, equipment, furniture and fittings is assessed in terms of the accounting policy set out in note 1.8.

## 1.6 Computer software

Computer software is classified as an intangible asset with a finite useful life.

### Initial recognition and measurement

Purchased software and the direct costs associated with the customisation and installation thereof are capitalised. Expenditure on software developed internally is capitalised if it meets the criteria for capitalising development expenditure. Expenditure incurred to restore or maintain the originally assessed future economic benefits of existing software systems is recognised in the income statement.

### Subsequent measurement

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Expenditure incurred to replace or modify computer software is capitalised if it is probable that future economic benefits associated therewith will flow to the entity and the cost thereof can be reliably measured.

### Amortisation

Computer software is amortised to its estimated residual value on a straight-line basis over its expected useful life of five years. Amortisation commences when the computer software is available for its intended use and ceases temporarily when the residual value exceeds the carrying amount. Amortisation ceases

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS



permanently at the earlier of the date the asset is classified as held for sale in accordance with IFRS 5 and the date that the asset is derecognised. The amortisation period, amortisation method and residual values are reviewed at each reporting date. A change resulting from the review is treated as a change in accounting estimate. The amortisation expense is recognised in the income statement in the depreciation and amortisation expense category.

### **Derecognition**

Computer software is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses which arise on derecognition are included in the income statement in the period of derecognition. The gain or loss is calculated as the difference between the net disposal proceeds and the carrying amount of the item at the date of sale.

### **Impairment**

Impairment of computer software is assessed in terms of the accounting policy set out in note 1.8.

## **1.7 Trademarks**

Trademarks are classified as an intangible asset with an indefinite useful life.

### **Initial recognition and measurement**

Where payments are made for the acquisition of a trademark, the amounts are capitalised at cost. Trademarks acquired through an acquisition of an entity are initially recognised at fair value.

### **Subsequent measurement**

Trademarks are stated at cost less accumulated impairment losses. Subsequent expenditure incurred is capitalised if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be reliably measured. Trademarks are considered to have an indefinite useful life, as based on an analysis of all relevant factors, if there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the entity. The useful lives are reviewed at each reporting date to determine whether events or circumstances continue to support an indefinite useful life assessment. A change resulting from the review is accounted for as a change in accounting estimate.

### **Derecognition**

A trademark is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses which arise on derecognition, are included in the income statement in the period of derecognition. The gain or loss is calculated as the difference between the net disposal proceeds and the carrying amount of the item at the date of sale.

### **Impairment**

The trademark is tested for impairment on an annual basis, or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

The impairment recognised in the income statement is the excess of the carrying amount over the recoverable amount. Recoverable amounts are estimated for individual trademarks or, when an individual trademark cannot generate cash flows independently, the recoverable amount is determined for the larger cash-generating unit to which the trademark belongs.

A previously recognised impairment will be reversed insofar as estimates change as a result of an event occurring after the impairment was recognised. An impairment is reversed only to the extent that the trademark's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the income statement.

## **1.8 Impairment of non-financial assets**

The carrying amount of the Group's non-financial assets, including property, plant, equipment, furniture, fittings and computer software, but excluding goodwill, trademarks, inventories and deferred tax, for which



impairment policies are described within the respective accounting policies for these items, is reviewed at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated.

If the recoverable amount of the asset is estimated to be less than the carrying amount, the carrying amount of the asset or cash-generating unit is reduced to the recoverable amount. The impairment is recognised in the income statement as an expense. Recoverable amounts are estimated for individual assets or, where an individual asset cannot generate cash flows independently, the recoverable amount is determined for the larger cash-generating unit to which the asset belongs.

A previously recognised impairment will be reversed insofar as estimates change as a result of an event occurring after the impairment was recognised. An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the income statement.

After recognition of an impairment loss, the depreciation or amortisation charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value, on a systematic basis over its useful life.

### 1.9 Financial instruments

Financial instruments recognised on the balance sheet include investments, derivative instruments, loans, trade and other receivables, cash and cash equivalents and trade and other payables. Financial instruments are recognised only when the Group becomes party to the contractual provisions of the instrument.

#### Initial recognition and measurement

The Group determines the classification of its financial assets and liabilities at initial recognition and, where allowed and appropriate in limited instances, re-evaluates this designation at each financial period-end. Financial instruments are initially measured at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue of the financial asset or financial liability. Subsequent measurement and impairment for each category is specified in the sections below.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

#### Derecognition of financial assets and liabilities

A financial asset, or a portion of a financial asset, is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either:
  - (i) has transferred substantially all the risks and rewards of the asset; or
  - (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or has expired.

#### Fair value

The fair value of financial instruments traded in active financial markets is determined by reference to quoted prices at the close of business on the last business day in the financial period. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS



reference to the quoted market capitalisation of the Group, quoted market prices, relative company profit performance, recent arm's length acquisitions and other recognised valuation methodologies. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment.

### **Financial assets at fair value through profit or loss**

The Group classifies its derivatives, in the form of forward exchange contracts, as held-for-trading financial assets or financial liabilities. The Group has not elected to designate any other financial instruments in this category.

The fair value of forward exchange contracts is calculated by reference to current forward exchange contracts traded in the open market with similar maturity profiles, at the balance sheet date. Those with positive values are recognised as current assets and those with negative values are recognised as current liabilities. Gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are recognised in the income statement under other operating expenses.

### **Available-for-sale assets**

Shares in subsidiaries are classified as available-for-sale assets. Subsequent to initial measurement, available-for-sale assets are measured at fair value. Gains or losses arising on the change in fair value are recognised directly in equity. Dividends earned on shares are recognised in the income statement when the right to receive payment has been established.

### **Loans and receivables**

The export partnership participation, various other amounts owing to the Group, trade and other receivables and cash and cash equivalents are classified as loans and receivables. Cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in money-market instruments. Subsequent to initial measurement, loans and receivables are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Where credit sales are made on a six-month interest-free basis, the related receivables are recognised at the fair value on transaction date and notional interest is recognised over the interest-free period. Subsequently, receivables are measured at amortised cost using the effective interest method less an allowance for uncollectible amounts.

### **Financial liabilities**

Amounts owing for trade and other payables are classified as financial liabilities and are subsequently measured at amortised cost. Gains and losses are recognised in income when the financial liabilities are derecognised or impaired, as well as through the amortisation process.

### **Offset**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

### **1.10 Impairment of financial assets**

The Group's financial assets are reviewed at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, to determine whether there is any indication of impairment.

#### **Assets carried at amortised cost**

If there is objective evidence that an impairment loss has been incurred, it is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The loss is recognised in profit or loss.



The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

### **Assets carried at cost**

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument held at cost, then the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. The loss is recognised in profit or loss. Such impairment losses are not reversed.

### **Available-for-sale assets**

When an available-for-sale financial asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. The reversal of such impairment loss shall not be reversed through profit or loss.

## **1.11 Derivative financial instruments and hedge accounting**

For the purposes of hedge accounting, the three classifications used are fair value hedges, cash flow hedges or hedges of a net investment in a foreign operation.

The Group is exposed to fluctuations in the share price of the company as a result of having issued cash-settled call options, constituting share-appreciation rights to senior management. The Group uses derivative instruments to hedge its exposure in the form of cash-settled call options. These have been designated as cash flow hedges. There are no other instances of hedge accounting.

### **Initial recognition and measurement**

The Group's criteria for the application of cash flow hedge accounting require that:

- at the inception of the hedge relationship, there is formal designation and documentation of the hedging relationship, risk management objective and strategy for undertaking the hedge;
- the hedge transaction is expected to be highly effective in achieving offsetting changes in cash flows attributable to the hedged risk;
- the effectiveness of the hedge can be reliably measured;
- the forecast transaction that is the subject of the cash flow hedge must be highly probable; and
- the hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

The hedging instrument is initially measured at fair value.

### **Subsequent measurement**

The fair value of the cash-settled call options is obtained from a valuation performed by a third party financial institution at the close of business on the last business day in the financial period.



Where a derivative instrument is designated as a cash flow hedge of an asset, liability or forecast transaction, the effective part of any gain or loss arising on the derivative instrument is recognised directly in a separate cash flow hedging reserve in the statement of changes in equity until the hedged transaction affects profit or loss. The ineffective part of any gain or loss is recognised in the income statement.

## **Derecognition**

If a forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or roll-over, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the forecast transaction is not expected to occur, the amount is taken to profit or loss.

## **1.12 Inventories**

Finished goods are valued at the lower of cost and net realisable value. The cost is calculated using the First-In-First-Out (FIFO) method. Adjustments are made for any allowance for mark-downs, obsolescence and shrinkage, where appropriate. Write-downs to net realisable value and inventory losses are expensed in the period in which the write-downs or losses occur. Net realisable value is the estimated selling price in the ordinary course of business, less necessary costs to make the sale.

Fabric is valued at the lower of cost and net realisable value, using the specific identification method, taking account of allowances for obsolescence, where appropriate.

Inventories are physically verified at least once a year through the performance of inventory counts, and shortages identified are written off immediately. An allowance is made at period-end, based on historical trends, for inventory losses incurred between the last physical count and the balance sheet date.

## **1.13 Share capital and share premium**

Issued share capital and share premium are stated in the statement of changes in equity as the amount of the proceeds received less directly attributable issue costs.

## **1.14 Treasury shares**

Shares in the company held by Group subsidiaries, including the Share Trust, are classified as treasury shares. The cost price of these shares, together with related transaction costs, is deducted from equity. The issued and weighted average number of shares is reduced by the treasury shares for the purposes of the basic and headline earnings per share calculation. Dividends received on treasury shares are eliminated on consolidation.

When treasury shares are cancelled, the treasury share balance will be reduced by the value of the cancelled shares. Share capital is then reduced by the par value of these cancelled treasury shares. When shares are repurchased from parties outside the Group and subsequently cancelled, the share premium is reduced by the excess of the repurchase price over the par value of the shares cancelled. When shares are repurchased from subsidiary companies and subsequently cancelled, retained income of the Group is reduced by the excess of the repurchase price over the par value of the shares cancelled. In the company, the non-distributable reserve is reduced by the excess of the repurchase price over the par value of the shares cancelled.

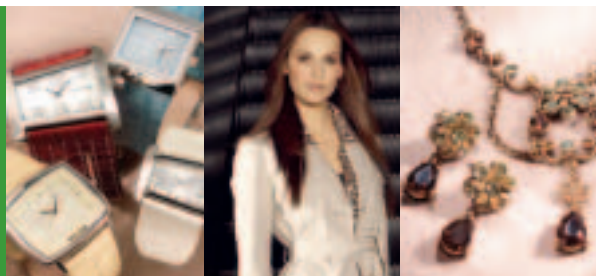
## **1.15 Employee benefits**

The Group remunerates its employees with short-term employee benefits and also operates four defined contribution retirement funds and one defined benefit healthcare fund. In addition, certain employees are remunerated with share-based payments.

### **Short-term employee benefits**

Remuneration to employees is recognised in the income statement as the services are rendered, except for non-accumulating benefits which are only recognised when the specified event occurs. Provision is made for accumulated and incentive bonuses.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS



### Defined contribution plans

The Group contributions to the defined contribution retirement funds are based on a percentage of the pensionable payroll and are recognised as an expense in the income statement in the period in which the service is rendered by the relevant employees.

### Defined benefit plans

The Group has an obligation to provide certain post-retirement medical benefits to its eligible employees and pensioners who entered into the Group's employment prior to 30 June 2000.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs and the fair value of plan assets. The present value of the defined benefit obligation, the related current service costs and, where applicable, past service costs are calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on high quality corporate bonds.

Unrecognised actuarial gains and losses, in excess of the greater of 10% of the fair value of plan assets or the present value of the obligation at the beginning of the period, are recognised in the income statement over the average expected remaining working lives of employees who qualify for the benefits.

Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. Any curtailment benefits or settlement amounts are recognised in the income statement when they are incurred.

### Share-based payments

#### *Equity-settled compensation benefits*

Employees, including executive directors and some of the non-executive directors, of the Group receive remuneration in the form of equity-settled share-based payments, whereby they render services in exchange for rights over the company's listed shares.

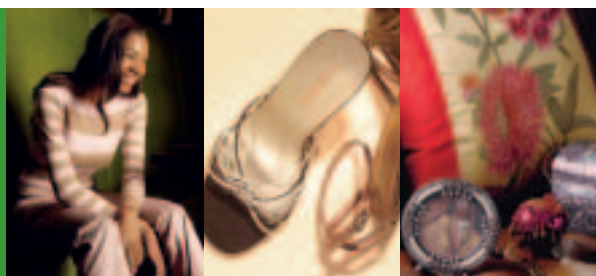
The cost of the services received from employees and the corresponding increase in the equity-settled compensation reserve are measured with reference to the fair value of the equity instruments at the date on which they are granted. The fair value is determined using an actuarial binomial model, further details of which are given in note 25.6.1. In valuing the equity-settled share-based payments, no account is taken of any vesting conditions, other than conditions linked to the price of the company's shares.

The cost of equity-settled share-based payments is recognised, together with a corresponding increase in total equity under the equity-settled compensation reserve, over the vesting period. The cumulative expense recognised for share options granted at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired, as well as the Group's best estimate of the number of equity instruments that will ultimately vest. The estimate is revised if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates. No expense is recognised for share options that do not ultimately vest.

Where the terms of an equity-settled share-based award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification which increases the total fair value of the equity-settled share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled share-based award is cancelled, it is treated as if it had vested on the date of cancellation and any expense not yet recognised for the share-based award is recognised immediately. However, if a new share-based award is substituted for the cancelled equity-settled share-based award and designated as a replacement award on the date that it is granted, the cancelled and new equity-settled share-based awards are treated as if they were a modification of the original award, as described above.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS



The effect of outstanding options is reflected in the computation of diluted earnings per share. (Readers are referred to note 28)

### *Cash-settled compensation benefits*

The cost of the services rendered by employees and the corresponding increase in the cash-settled compensation liability are measured initially at fair value. The fair value is amortised over the period until vesting, with recognition of a corresponding liability. The liability is remeasured at each balance sheet date up to and including the settlement date, and changes in the fair value are recognised in the income statement.

### 1.16 Taxes

The tax expense consists of current South African and foreign tax, deferred tax and secondary tax on companies.

#### **Current South African and foreign tax**

The current tax charge is the expected tax payable on the taxable income for the period. The tax rates and tax laws used to compute this amount are those that are enacted or substantively enacted by the balance sheet date.

#### **Deferred tax**

The provision for deferred tax assets and liabilities reflects the tax consequences that would follow from the expected recovery or settlement of the carrying amount of the Group's assets and liabilities.

Deferred tax is provided, using the liability method, for all temporary differences at the balance sheet date between the tax bases of assets or liabilities and their respective balance sheet carrying amounts.

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, branches and associates, except to the extent that both of the following conditions are satisfied: the parent or investor is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. No deferred tax liability is recognised on temporary differences caused by the initial recognition of goodwill.

A deferred tax asset is recognised where it is probable that, in the foreseeable future, taxable profits will be available against which the deferred tax asset can be realised. Neither a deferred tax asset nor liability is recognised where it arises from a transaction that is not part of a business combination, and, at the time of the transaction, has not impacted accounting or taxable profit. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Current and deferred tax relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set-off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### **Secondary tax on companies (STC)**

STC is recognised as part of the tax expense in the income statement when the related dividend has been paid. There are no material unutilised STC credits within the Group that would have resulted in the recognition of a deferred tax asset.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS



### 1.17 Leases

Leases are classified as operating leases, where substantially all the risks and rewards associated with ownership of the asset are not transferred from the lessor to the lessee. Operating lease rentals with fixed escalation clauses are recognised in the income statement on a straight-line basis over the lease term. The resulting difference arising from the straight-line basis and contractual cash flows is recognised as an operating lease obligation or asset.

Contingent rental income and expenses are recognised when accrued or incurred.

### 1.18 Provisions and contingent liabilities

A provision is recognised if, when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense related to any provision is charged to the income statement. If the effect of the time value of money is material, a discount rate is applied to determine the present value of the provision. Where discounting is used, the yearly increase in the provision due to the passage of time is recognised as an interest expense in the income statement.

Contingent liabilities are not recognised as liabilities in the Group financial statements but are disclosed separately in the notes.

### 1.19 Dividends

Dividends payable and the STC thereon are recognised as liabilities in the period in which the dividends are declared. A dividend declared subsequent to period-end is not charged against total equity at the balance sheet date as no liability exists.

### 1.20 Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when the amount of revenue can be reliably measured and it is probable that the economic benefits associated with the transaction will flow to an entity. Revenue transactions are recognised on the following bases:

#### Sale of merchandise

Revenue from the sale of merchandise through retail outlets and to franchisees is recognised when the risks and rewards of ownership have passed to the customer or franchisee. Such income represents the net invoice value of merchandise provided to third parties – excluding discounts, value-added and general sales tax.

Sales made on six-month interest-free deferred settlement terms effectively contain a financing element. The difference between the purchase price under market-related conditions and the amount actually paid is recognised as notional interest income over the six-month period of the financing.

#### Interest

Interest is recognised using the effective interest rate method.

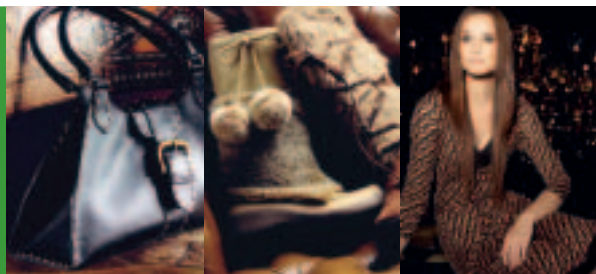
#### Commission

Commission, through the sale of merchandise on behalf of third parties, is recognised in the period in which it is earned according to the applicable contractual arrangements. Where the Group acts as an agent, all payments collected from customers and passed on to third parties are excluded from both revenue and expenses.

#### Display and fraud protection fees

Revenue is recognised in the period in which it is earned, according to the applicable contractual arrangements.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS



## **Lease rental income**

Lease rental income is recognised in the period in which it is earned based on the straight-line method. (Readers are also referred to note 1.17)

## **Royalties**

Royalties, based on the sale of merchandise by franchisees, are recognised in the period in which they are earned, according to the applicable contractual arrangements.

## **Management fees**

Revenue is recognised when the services contracted for are rendered.

## **Dividends**

Revenue is recognised when the Group's right to receive payment is established.

### **1.21 Cost of sales**

Cost of sales includes all costs of purchase, costs of conversion, and other costs incurred in bringing inventories to their present location and condition. Costs of purchase comprise the purchase price, royalties paid, import duties and other taxes and transport costs. Inventory write-downs are included in cost of sales when recognised. Trade discounts, settlement discounts and other similar items are deducted in determining the costs of purchase.

Cost of sales is recognised as an expense in the income statement when the risks and rewards of ownership related to the sale of merchandise pass to the customer or franchisee. Settlement discount granted by a supplier for early payment is recognised as a reduction in cost of sales.

### **1.22 Finance costs**

Finance costs are accrued and recognised in the income statement at the effective interest rate relating to the relevant financial liability, in the period in which they were incurred.

### **1.23 Segmental reporting**

The primary segments of the Group have been identified as the Truworths, Uzzi and YDE business units with reference to the internal management structure. This basis is representative of management's review processes and the Group's financial reporting structures. The source and nature of business risks and returns are segmented on the same basis. The Group's main geographical regions consist of southern Africa and outside of southern Africa, based on the location of the Group's customers.

### **1.24 Events after balance sheet date**

The financial statements are adjusted to reflect events that occurred between the balance sheet date and the date when the financial statements are authorised for issue, provided they give evidence of conditions that existed at the balance sheet date. Events that are indicative of conditions that arose after the balance sheet date are disclosed, but do not result in an adjustment of the financial statements themselves.

### **1.25 IFRS and amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations not yet effective**

The Group has not adopted the following IFRS standards and amendments and IFRIC interpretations that have been issued but are not yet effective for the period under review, earlier than required. They will be adopted no later than their effective dates.

- IFRS 7 (AC 144), 'Financial Instruments: Disclosure'
  - effective for annual periods beginning on or after 1 January 2007
- IFRS 8 (AC 145), 'Operating segments'
  - effective for annual periods beginning on or after 1 January 2008

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS



- IFRIC 10 , 'Interim Financial Reporting and Impairment'
  - effective for annual periods beginning on or after 1 November 2006
- IFRIC 12, 'Service Concession Arrangements'
  - effective for annual periods beginning on or after 1 January 2008
- IAS 1 (AC 101), 'Amendment – Capital Disclosures'
  - effective for annual periods beginning on or after 1 January 2007

The Group expects that adoption of the pronouncements listed above will have no material financial impact on the Group's financial statements in the period of initial application. However, the Group will comply with the additional disclosure requirements resulting from such initial application.

Various other IFRS, amendments and IFRIC interpretations that have been issued and are not yet effective have not been disclosed by the Group as they are not applicable to its activities.

### 1.26 Use of estimates and judgements in the preparation of annual financial statements

In the preparation of the annual financial statements, management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements within the next financial period. The key assumptions concerning estimation uncertainties at the balance sheet date are discussed below.

#### Property, plant, equipment, furniture and fittings

The Group assesses the useful lives, depreciation rates and residual values of these assets at each reporting date. These estimates take cognisance of current market and trading conditions for the Group's specific assets. In addition, the useful life estimates take into account the risk of obsolescence due to advances in technology. (Readers are referred to note 2 for further detail)

#### Trademarks

The Group's acquired trademark is determined to have an indefinite useful life. The useful life is assessed at each reporting date. This judgement is based on the market and trading conditions applicable to the Group, management's expectations and strategy for the use of the trademark as well as key performance indicators including sales growth rate and operating margins of the cash-generating unit which uses the trademark.

#### Asset impairments

The Group determines whether assets are impaired at least at each reporting date. Key assumptions applied to the earnings portion of a discounted cash flow calculation include the sales growth rate, operating margin, return on investment, reinvestment of profits, working capital requirements and capital expenditure. The growth rate used to extrapolate cash flows beyond the most recent budget period is also estimated. In determining the discount rate applied to calculate the present value of future earnings the Group estimates the risk-free rate, market risk return and beta value. (Readers are referred to notes 3 and 4 for further detail)

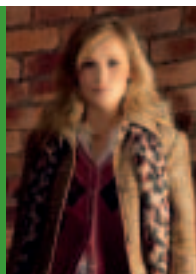
#### Allowance for slow-moving inventory

The allowance for slow-moving inventory takes into account historic information related to sales trends and represents the expected mark-down between the estimated net realisable value and the original cost. The net realisable value assigned to this inventory is the net selling price in the ordinary course of business less necessary costs to make the sale.

#### Allowance for doubtful debts

The Group assesses its allowance for doubtful debts at least at each reporting date. Key assumptions applied in this calculation would be the estimated debt recovery rates within the Group's varied debtors' book as well

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS



as an estimation or view on current and future market conditions that could affect the debt recovery rates. (Readers are referred to note 8 for further detail)

### **Deferred tax assets**

The current tax provision is calculated with the aid of an inventory valuation model. The model calculates an acceptable tax value of inventory and determines the difference between the tax value and the accounting value of inventory, which difference is incorporated in the current tax calculation/liability. This difference would also affect the deferred tax via the tax base of inventory and would be classified as a timing difference (normally a deferred tax asset). (Readers are referred to note 14 for further detail)

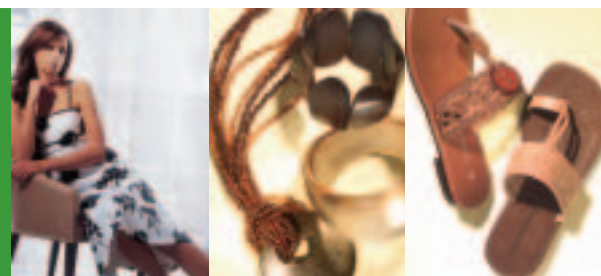
### **Post-retirement medical benefits**

The Group provides post-retirement medical benefits and obtains an actuarial valuation annually regarding its obligation in this regard. The key assumptions applied in arriving at the net obligation include mortality rates, medical inflation rates, future salary increases, investment return, the discount rate and current market conditions. (Readers are referred to note 15 for further detail)

### **Fair value of share options and share appreciation rights granted**

The fair value attached to share options and share appreciation rights granted is obtained with the use of a binomial option pricing model. The key assumptions used in the calculation include estimates of the share's expected volatility, dividend yield and risk-free interest rate. (Readers are referred to note 25.6 for further detail)

## NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS



	Land	Buildings	Plant, equipment, furniture and fittings	Computer equipment	Total
	Rm	Rm	Rm	Rm	Rm
<b>2. Property, plant and equipment 2007</b>					
Balance at the beginning of the period, net of accumulated depreciation	4	127	215	33	379
Additions	-	1	127	20	148
Additions on acquisition of Uzzi (Pty) Limited (refer note 31)	-	-	3	-	3
Disposals	-	-	(1)	-	(1)
Depreciation (refer note 24.2)	-	(4)	(56)	(14)	(74)
Balance at the end of the period, net of accumulated depreciation	4	124	288	39	455
<b>Reconciliation as at June 2007</b>					
Cost	4	136	604	125	869
Accumulated depreciation	-	(12)	(316)	(86)	(414)
Net carrying amount	4	124	288	39	455
<b>2006</b>					
Balance at the beginning of the period, net of accumulated depreciation	3	124	185	35	347
Additions	1	6	80	13	100
Disposals	-	-	(1)	-	(1)
Depreciation (refer note 24.2)	-	(3)	(49)	(15)	(67)
Balance at the end of the period, net of accumulated depreciation	4	127	215	33	379
<b>Reconciliation as at June 2006</b>					
Cost	4	135	501	112	752
Accumulated depreciation	-	(8)	(286)	(79)	(373)
Net carrying amount	4	127	215	33	379
<b>Reconciliation as at June 2005</b>					
Cost	3	129	422	99	653
Accumulated depreciation	-	(5)	(237)	(64)	(306)
Net carrying amount	3	124	185	35	347
				<b>2007</b>	2006
				<b>Rm</b>	Rm
Estimated replacement and insured value				<b>949</b>	868

A register of the Group's land and buildings is available for inspection at the registered office.

During the period the Group reviewed the residual values and useful lives of its property, plant, equipment, furniture and fittings and no material adjustments were required.

# NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS



### 3. Goodwill

Carrying amount at the beginning of the period		
On acquisition of Uzzi (Pty) Limited (Uzzi) (refer note 31)		
On acquisition of minority interest in Young Designers Emporium (Pty) Limited (YDE)		
Carrying amount at the end of the period		

2007	2006
Rm	Rm
52	38
20	-
-	14
72	52

Carrying amount equates to cost since no accumulated impairment has been recognised.

#### Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the individual cash-generating units for impairment testing as follows:

YDE	52	52
Uzzi	20	-
Carrying amount of goodwill	72	52

Key assumptions applied to determine the recoverable amount of the YDE and Uzzi cash-generating units by using the value-in-use calculation relate to the sales growth rate, reinvestment of profits, working capital requirements and capital expenditure. Cash flow projections were based on historical information and financial budgets approved by senior management covering a five-year period.

#### 2007

##### Assumptions applied

		YDE	Uzzi
Discount rate applied to projected cash flows	(%)	17.6	18.6
<i>Variables</i>			
Risk-free rate, based on the long-term South African R157 bond	(%)	8.3	8.3
Market risk premium, based on long-term return on JSE ALSI	(%)	8.0	8.0
Beta value		1.03	1.03

#### 2006

##### Assumptions applied

Discount rate applied to projected cash flows	(%)	16.6	n/a
<i>Variables</i>			
Risk-free rate, based on the long-term South African R157 bond	(%)	8.6	n/a
Market risk premium, based on long-term return on JSE ALSI	(%)	8.0	n/a
Beta value		0.87	n/a

n/a = not applicable as Uzzi was only acquired in the current period. For further information on the business combination refer to note 31.

# NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS



## 4. Intangible assets

### 2007

Balance at the beginning of the period, net of accumulated amortisation

Additions

Additions on acquisition of Uzzi (refer note 31)

Amortisation (refer note 24.2)

Balance at the end of the period, net of accumulated amortisation

### Reconciliation as at June 2007

Cost

Accumulated amortisation

Net carrying amount

	Trademark Rm	Computer software Rm	Total Rm
Balance at the beginning of the period, net of accumulated amortisation	–	21	21
Additions	–	8	8
Additions on acquisition of Uzzi (refer note 31)	34	–	34
Amortisation (refer note 24.2)	–	(8)	(8)
Balance at the end of the period, net of accumulated amortisation	34	21	55
<b>Reconciliation as at June 2007</b>			
Cost	34	49	83
Accumulated amortisation	–	(28)	(28)
Net carrying amount	34	21	55

### 2006

Balance at the beginning of the period, net of accumulated amortisation

Additions

Amortisation (refer note 24.2)

Balance at the end of the period, net of accumulated amortisation

### Reconciliation as at June 2006

Cost

Accumulated amortisation

Net carrying amount

Balance at the beginning of the period, net of accumulated amortisation	–	21	21
Additions	–	7	7
Amortisation (refer note 24.2)	–	(7)	(7)
Balance at the end of the period, net of accumulated amortisation	–	21	21
<b>Reconciliation as at June 2006</b>			
Cost	–	41	41
Accumulated amortisation	–	(20)	(20)
Net carrying amount	–	21	21
<b>Reconciliation as at June 2005</b>			
Cost	–	34	34
Accumulated amortisation	–	(13)	(13)
Net carrying amount	–	21	21

### Trademark

The trademark was acquired on acquisition of Uzzi and is initially measured at fair value.

The Uzzi brand is well established in the South African market, supplying a unique blend of men's fashion apparel in European and Italian style fabrics. For this reason there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the entity. The trademark is therefore considered to have an indefinite useful life.

### Impairment testing of trademark

Key assumptions applied to determine the recoverable amount of the Uzzi trademark by using the value-in-use calculation relate to the sales growth rate, reinvestment of profits, working capital requirements and capital expenditure. Cash flow projections were based on historical information and financial budgets approved by senior management covering a five-year period and by assuming a flat rate of growth from year six in perpetuity. No impairment was deemed necessary.

### 2007

#### Assumptions applied

Discount rate applied to projected cash flows

(%) 18.6

#### Variables

Risk-free rate, based on the long-term South African R157 bond

(%) 8.3

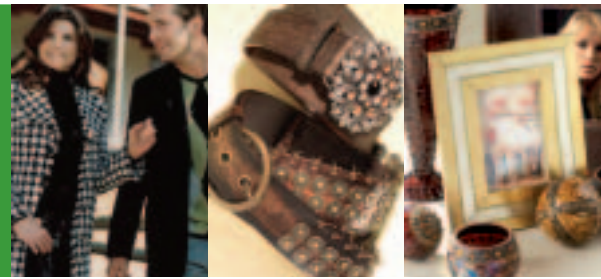
Market risk premium, based on long-term return on JSE ALSI

(%) 8.0

Beta value

1.03

# NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS



		2007	2006
	Note	Rm	Rm
<b>5. Financial assets</b>			
<b>Derivative financial instruments</b>	5.1	45	13
<b>Loans and receivables</b>			
Export partnership participation	5.2	48	50
Secured housing loans to directors	5.3	–	–
Secured housing loans to employees	5.4	1	1
Secured loans to share incentive scheme participants	5.5	14	14
Unsecured loans	5.6	47	44
<b>Total</b>		<b>155</b>	122
<b>5.1 Derivative financial instruments</b>			
Balance at the beginning of the period		13	–
Financial instruments acquired		22	23
Financial instruments exercised		(4)	–
		31	23
Fair value adjustment at the end of the period		27	(10)
Income statement gain/(loss)	24.5	18	(7)
Transfer to/(from) cash flow hedging reserve	13	9	(3)
Current portion of derivative financial instruments		(13)	–
<b>Balance at the end of the period</b>		<b>45</b>	13

The Group acquired derivative financial instruments (being cash-settled call options) from various financial institutions to be utilised as hedging instruments to settle the hedged item, being the related financial obligation under the cash-settled compensation scheme. The cash-settled call options have been designed specifically to hedge the fluctuation in the cash settlement amount payable in terms of the scheme.

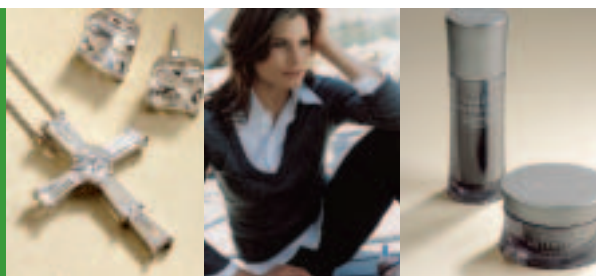
The fair value of the financial instruments at the end of the period was determined by way of valuations performed by the institutions concerned using an actuarial binomial option pricing model. The inputs into the valuation model are as follows:

Weighted average exercise price of derivative financial instruments	(R)	28.39	19.12
Expected life of derivative financial instruments	(years)	1 – 4	1 – 4
Company share price at period-end	(R)	36.00	20.55
Expected share price volatility*	(%)	29.8	28.0
Expected share dividend yield	(%)	2.9 – 3.6	4.3
Risk-free interest rate**	(%)	10.0 – 10.3	7.5 – 9.4

Refer to note 22 for further information related to financial risk management.

\* The expected share price volatility is based on historical information over a period of three years.

\*\* The risk-free interest rate has been extracted from the yield curve furnished by the financial institutions from which the derivative financial instruments have been acquired.



## 5. Financial assets (continued)

### 5.1 Derivative financial instruments (continued)

The Group has fully hedged its exposure to fluctuations in the cash settlement amounts in respect of the hedged item, by acquiring matching derivative financial instruments. The exercise dates of both the hedged item and the derivative financial instruments fall on matching dates, ensuring that the cost to the Group of the High Performance Share-based Scheme (HPSS) benefits is known and fixed at the outset.

The Group expects that the hedged cash flow transactions will occur within the next four periods.

### 5.2 Export partnership participation

Balance at the beginning of the period

Payments received during the period

Current interest adjustment

Balance at the end of the period

2007	2006
Rm	Rm
50	74
(3)	(25)
1	1
48	50

The Group participates with other companies in the former Wooltru Limited group in various export partnerships whose business was the purchase and export sale of marine containers. These partnerships bought and sold such containers in terms of long-term suspensive purchase and credit sale agreements respectively, with specifically-scheduled repayment terms over either a 10- or a 15-year period. Trecor Services (Pty) Limited, a wholly-owned subsidiary of Trecor Limited, which is listed on the JSE Limited, acts as managing partner in these partnerships. The managing partner collects and disburses partnership funds on behalf of the partners and distributes to them the funds required to settle their deferred tax liabilities when these fall due.

At the end of the period, the Group's participation comprised a share of long-term receivables due by the purchaser of the containers exported of R234 million (2006: R262 million), a share of long-term liabilities due to the manufacturer of the containers of R160 million (2006: R185 million) and a share of net other liabilities of R24 million (2006: R25 million).

The participation is carried at amortised cost, using the effective interest rate method and an effective interest rate of 1.69% per annum (2006: 1.71%).

Any impairment in the participation would result in a corresponding decrease in the deferred tax liability and thus have no income statement impact.

### 5.3 Secured housing loans to directors

Balance at the beginning of the period

Repayments during the period

Balance at the end of the period

-	1
-	(1)
-	-

Interest is payable at 8% per annum. The loans are secured by second mortgage bonds registered in favour of a subsidiary and are repayable no later than upon termination of the directors' service with the Group.

### 5.4 Secured housing loans to employees

Balance at the beginning and end of the period

1	1
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Interest is payable at 8% per annum. Capital and interest is payable monthly. The loans are secured by a pledge over the employees' share in the Group's retirement funds. The loans are repayable no later than upon termination of the employees' service with the Group.

# NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS



	2007	2006
	Rm	Rm
<b>5. Financial assets (continued)</b>		
<b>5.5 Secured loans to share incentive scheme participants</b>		
Balance at the beginning of the period	14	12
Advances during the period	–	3
Repayments during the period	(2)	(1)
Current interest adjustment	2	–
Balance at the end of the period	14	14

Loans to participants in the Truworths International Limited Share Scheme are interest-free and secured by a pledge over ordinary shares in the company held by employees of subsidiaries pursuant to the scheme. The loans are repayable immediately upon the termination of the employees' service with the Group.

<b>5.6 Unsecured loans</b>		
Balance at the beginning of the period	44	5
Advances during the period	3	53
Repayments during the period	–	(14)
Balance at the end of the period	47	44

The amounts owing are unsecured, interest-free and repayable on demand and comprise loans to the Truworths Community Foundation and the Truworths Social Involvement Trust whose charitable activities are funded by income earned on the funds invested.

<b>6. Interest in subsidiary companies</b>		
Interest in aggregate after-tax profits of subsidiaries	2 157	863

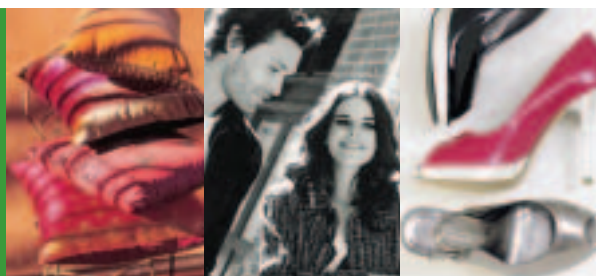
Included in the above after-tax profits of subsidiaries is the intra-group profit on the sale of treasury shares of R1 036 million which has been eliminated on consolidation.

<b>7. Inventories</b>		
Gross inventory	441	370
Allowances for markdown, obsolescence and shrinkage (refer note 7.1)	(88)	(80)
Finished goods, net of allowances	353	290
Allowances as a % of gross inventory	(%) 20.0	21.6

The markdown allowance is lower than in prior periods due to lower point-of-sale markdowns during the period.

<b>7.1 Allowance for markdown, obsolescence and shrinkage</b>		
Balance at beginning of the period	80	83
Movement for the period	8	(3)
Allowance raised	44	56
Allowance utilised	(36)	(59)
Balance at the end of the period	88	80

## NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS



		2007	2006
		Rm	Rm
<b>8. Trade and other receivables</b>			
Trade receivables		2 048	1 536
Allowance for doubtful debts (refer note 8.1)		(161)	(91)
Trade receivables, net of allowance for doubtful debts		1 887	1 445
Other receivables		75	74
Total trade and other receivables		1 962	1 519
Interest-bearing debtors as % of trade receivables	(%)	72	66
Net bad debt as % of trade receivables	(%)	6.6	5.1
Allowance for doubtful debts as a % of trade receivables	(%)	7.9	5.9

The directors consider the carrying amount of trade and other receivables to approximate their fair values.

For further information on how interest rate and credit risk in terms of trade receivables is managed refer to note 22.1.2 and 22.2.

The Group's trade receivables have payment terms of between 6 and 12 months.

### 8.1 Allowance for doubtful debts

Balance at beginning of the period		91	71
Movement for the period		70	20
Allowance raised		213	104
Allowance utilised		(135)	(79)
Allowance released		(8)	(5)
Balance at the end of the period		161	91

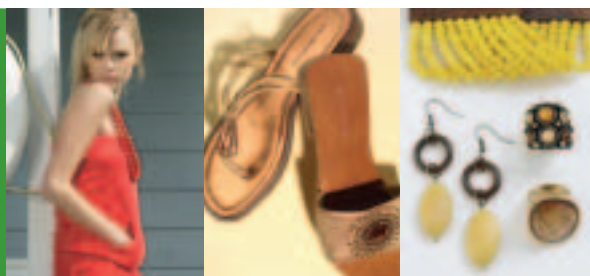
### 9. Cash and cash equivalents

Cash on hand and balances with banks		216	219
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All cash and cash equivalents are invested in overnight call accounts, and are available for immediate withdrawal.

For further information on how interest rate risk in terms of cash and cash equivalents is managed refer to note 22.1.2.

# NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS



## 10. Share capital

### Ordinary share capital

#### Authorised

650 000 000 (2006: 650 000 000) ordinary shares of 0.015 cent each

#### Issued and fully paid

450 773 051 (2006: 482 915 041) ordinary shares of 0.015 cent each

2007	2006
Rm	Rm
–*	–*
–*	–*

The company has one class of ordinary shares which carry no rights to fixed income.

\* Reflected as zero, due to rounding. Issued share capital is R67 616 (2006: R72 437)

### Reconciliation of movement in issued shares

Balance at the beginning of the period

Shares issued

Shares repurchased and cancelled

Balance at the end of the period

Treasury shares held by subsidiaries (refer note 12)

Truworths Limited

Truworths Investments (Pty) Limited

Truworths Investments Two (Pty) Limited

Truworths Investments Three (Pty) Limited

Truworths International Share Trust

Adjusted issued shares at the end of the period

Shares repurchased and held by subsidiaries as a % of the issued shares at the end of the period

Number of shares	Number of shares
000's	000's
482 915	487 240
4 073	2 874
(36 215)	(7 199)
450 773	482 915
(17 309)	(49 024)
–	(36 215)
(7 363)	(7 363)
(7 281)	(5 281)
(2 500)	–
(165)	(165)
433 464	433 891
4	10

The shares issued during the period were allotted for an aggregate nominal value of R611 (2006: R431) and an aggregate subscription price before expenses of R22 616 204 (2006: R17 071 103). In terms of a shareholders' resolution passed on 9 November 2006, the directors have until the next annual general meeting a general authority, which is limited to 10% of the company's issued shares, to issue or use as the case may be, the unissued and treasury shares of the company. This authority is subject to the provisions of the Companies Act and the Listings Requirements of the JSE Limited.

## 11. Share premium

Balance at the beginning of the period

Premium on shares issued

Shares repurchased and cancelled

Balance at the end of the period

Rm	Rm
14	197
22	17
–	(200)
36	14

# NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

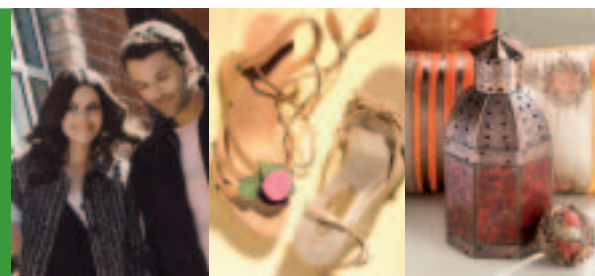


## 12. Treasury shares

	2007	2006	2007	2006
	Number of shares	Number of shares		
	000's	000's	Rm	Rm
Balance at the beginning of the period	49 024	39 743	528	330
Truworthis Limited	36 215	36 215	274	274
Truworthis Investments (Pty) Limited	7 363	3 363	133	54
Truworthis Investments Two (Pty) Limited	5 281	–	119	–
Truworthis International Share Trust	165	165	2	2
Shares purchased by subsidiaries during the period:	4 500	9 281	167	198
Truworthis Investments (Pty) Limited	–	4 000	–	79
Truworthis Investments Two (Pty) Limited	2 000	5 281	75	119
Truworthis Investments Three (Pty) Limited	2 500	–	92	–
Shares purchased from subsidiary and cancelled during the period:				
Truworthis Limited	(36 215)	–	(274)	–
<b>Balance at the end of the period</b>	<b>17 309</b>	<b>49 024</b>	<b>421</b>	<b>528</b>
Comprising: (refer note 10)				
Truworthis Limited	–	36 215	–	274
Truworthis Investments (Pty) Limited	7 363	7 363	133	133
Truworthis Investments Two (Pty) Limited	7 281	5 281	194	119
Truworthis Investments Three (Pty) Limited	2 500	–	92	–
Truworthis International Share Trust	165	165	2	2
<b>Balance at the end of the period</b>	<b>17 309</b>	<b>49 024</b>	<b>421</b>	<b>528</b>
Market value at the end of the period			623	1 007
Average cumulative purchase price (cents per share)			2 433	1 076
Average purchase price during period (cents per share)			3 739	2 127
Market value at the end of the period (cents per share)			3 600	2 055

The articles of association of the company's wholly-owned subsidiaries – Truworthis Investments (Pty) Limited, Truworthis Investments Two (Pty) Limited and Truworthis Investments Three (Pty) Limited – have been altered by special resolution to enable them to acquire the company's shares, subject to the relevant provisions of the Companies Act and the Listings Requirements of the JSE Limited. The repurchases were effected in terms of special resolutions passed by the company and these subsidiaries whereby these subsidiaries were generally authorised to acquire in the aggregate up to 10% of the company's shares in issue at the date of the company's annual general meeting on 9 November 2006.

# NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS



## 13. Non-distributable reserves

	2007	2006
	Rm	Rm
Equity-settled compensation reserve	19	15
Cash flow hedging reserve	4	(3)
Balance at the end of the period	23	12
<b>Reconciliation of equity-settled compensation reserve</b>		
Balance at the beginning of the period	15	9
Equity-settled share-based payment expense (refer note 24.3)	4	6
Balance at the end of the period	19	15
<b>Reconciliation of cash flow hedging reserve</b>		
Balance at the beginning of the period	(3)	-
Increase/(decrease) in fair value of cash flow hedge	9	(3)
Increase in deferred tax on cash flow hedge	(2)	-
Balance at the end of the period	4	(3)

## 14. Deferred tax

<b>Net deferred tax liability at the beginning of the period</b>	11	35
Liability	84	87
Asset	(73)	(52)
<b>Opening balance comprising:</b>		
<b>Liability</b>	84	87
Export partnership participation	53	59
Prepayments	8	6
Property, plant and equipment	22	21
Other	1	1
<b>Asset</b>	(73)	(52)
Trade and other receivables	(25)	(20)
Trade and other payables	(15)	(7)
Post-retirement medical benefit obligation	(6)	(6)
Straight-line operating lease obligation	(14)	(14)
Inventories	(1)	(1)
Intangible assets	(2)	-
Derivative financial instrument	(5)	-
Other	(5)	(4)
<b>Movement for the period</b>	(29)	(24)
Charged to income statement (refer note 26.1)	(31)	(24)
Charged to equity (refer note 13)	2	-
<b>Decrease in deferred tax liability</b>	(7)	(3)
Export partnership participation	(3)	(6)
Prepayments	2	2
Property, plant and equipment	(7)	1
Other	1	-


**14. Deferred tax (continued)**
**Increase in deferred tax asset**

Trade and other receivables	
Trade and other payables	
Post-retirement medical benefit obligation	
Inventories	
Straight-line operating lease obligation	
Intangible assets	
Derivative financial instrument	
Other	

**Net deferred tax (asset)/liability at the end of the period**

Liability	
Asset	

**Closing balance comprising:**
**Liability**

Export partnership participation	
Prepayments	
Property, plant and equipment	
Other	

**Asset**

Trade and other receivables	
Trade and other payables	
Post-retirement medical benefit obligation	
Straight-line operating lease obligation	
Inventories	
Intangible assets	
Derivative financial instrument	
Other	

2007	2006
Rm	Rm
(22)	(21)
(16)	(5)
(5)	(8)
(1)	-
(1)	-
(1)	-
2	(2)
2	(5)
(2)	(1)
(18)	11
77	84
(95)	(73)
77	84
50	53
10	8
15	22
2	1
(95)	(73)
(41)	(25)
(20)	(15)
(7)	(6)
(15)	(14)
(2)	(1)
-	(2)
(3)	(5)
(7)	(5)

**15. Post-retirement medical benefit obligation**

The Group participates in and contributes towards a defined benefit healthcare fund for employees and details of the post-retirement benefit obligation are disclosed below. For further information refer to note 25.4.

**Benefit obligation**

Present value of obligation (actuarially determined)	
Fair value of plan assets	
Funding deficit	
Net actuarial gains not recognised	
Benefit obligation	

**Changes in the present value of the obligation are as follows:**

Opening obligation	
Interest cost	
Current service cost	
Benefits paid	
Actuarial gains/(losses) on obligation	
Closing obligation	

61	54
(44)	(38)
17	16
8	7
25	23
54	51
5	4
2	2
(2)	(2)
2	(1)
61	54

# NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS



## 15. Post-retirement medical benefit obligation (continued)

Changes in the fair value of plan assets are as follows:

	2007 Rm	2006 Rm
Opening fair value of plan assets	38	36
Expected return	4	3
Contributions by employer	(2)	(1)
Actuarial gains on plan assets	4	-
Closing fair value of plan assets	44	38

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	(%)	2007 %	2006 %
Cash	(%)	31	14
Bonds	(%)	11	50
Equity	(%)	59	26
Off-shore investments*	(%)	(6)	7
Property	(%)	5	3
		100	100

The overall expected rate of return on the plan assets is determined with reference to the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

\* Off-shore investments comprise derivatives for which a short position was held, resulting in a negative market value.

### Fair value of benefit obligation

The Group values its accrued future liability in respect of its post-retirement medical aid obligation at each balance sheet date. For valuation purposes the following assumptions were made:

	(%)	2007 %	2006 %
Discount rate	(%)	8.5	8.5
Expected medical cost inflation	(%)	7.0	6.5
Expected return on plan assets	(%)	8.5	8.0
Normal retirement age	(years)	60	60

The effect of fluctuation in medical cost inflation on the present value of the obligation would be as follows:

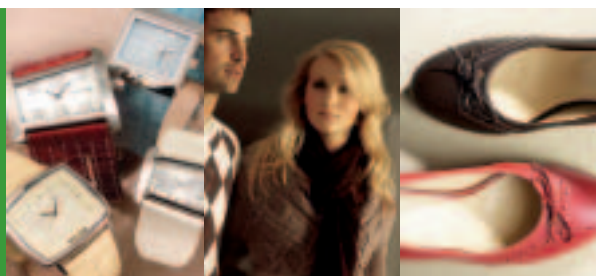
	(%)	2007 Rm	2006 Rm
1% decrease	(%)	(13.7)	(13.2)
1% increase	(%)	17.0	16.3
1% decrease	(Rm)	52	47
1% increase	(Rm)	71	63

### Net benefit expense recognised in the income statement

Current service cost	2	2
Interest cost on benefit obligation	5	4
Expected return on plan assets	(4)	(3)
Net benefit expense (refer note 24.3)	3	3

The actual return earned on the Group's post-retirement medical benefit plan assets amounted to a profit of R7 million (2006: profit of R3 million). The difference between the actual and the expected return on plan assets is an actuarial gain.

## NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS



	2007	2006	2005	2004	2003
	Rm	Rm	Rm	Rm	Rm
<b>15. Post-retirement medical benefit obligation (continued)</b>					
Amounts for the current and previous four periods are as follows:					
Present value of obligation	(61)	(54)	(51)	(49)	(43)
Fair value of plan assets	44	38	36	8	8
Funding deficit	(17)	(16)	(15)	(41)	(35)
Experience adjustment on plan liabilities	(2)	1	3	(2)	10
Experience adjustment on plan assets	4	-	4	1	(2)

	2007	2006
	Rm	Rm
<b>16. Leases</b>		
<b>16.1 Straight-line operating lease obligation</b>		
Balance at the beginning of the period	46	43
Lease obligations incurred during the period	5	5
Balance at the end of the period	51	48
Current portion reflected under trade and other payables (refer note 17)	(2)	(2)
Long-term portion reflected under non-current liabilities	49	46

Only those leases that have a fixed escalation are taken into account in calculating the straight-line operating lease obligation. These leases comprise 49% (2006: 50%) of the Group's total lease agreements.

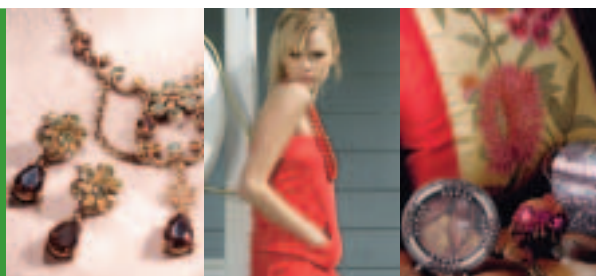
### 16.2 Lessee under operating leases

The Group rents all its trading premises in terms of operating leases, whereas other operating assets, including the head office building, two warehouses, an apartment and the distribution centre are owned. Leases on trading premises are contracted for periods of between three and ten years, with renewal options for a further three or five years. Some of these leases provide for minimum annual rental payments together with additional amounts determined on the basis of sale of merchandise. One hundred and fifty-four (2006: One hundred and fifteen) stores, or 41% (2006: 32%) of all premises leased, reached the sale of merchandise threshold and therefore incurred these additional payments averaging approximately 4.9% (2006: 5.1%) of sale of merchandise. Rental escalations have varied at an average rate of approximately 7.9% (2006: 8.2%) per annum. For further information regarding lease expenses refer to note 24.4.

The future non-cancellable minimum operating lease payments due, inclusive of contingent rental clauses, were as follows:

Within one year	282	221
Between one and five years	687	562
Between five and ten years	145	75
	<b>1 114</b>	<b>858</b>

## NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS



### 16. Leases (continued)

#### 16.3 Lessor under operating leases

The Group rents out a limited number of trading and office premises in terms of operating leases. Leases on premises are contracted for periods of between two and ten years, with renewal options on certain leases for a further three or five years. Rental escalations are fixed in terms of the lease contracts and average 8.7% (2006: 9%) per annum. For further information regarding lease income refer to note 24.4.

At period-end the future minimum lease rental income expected under non-cancellable leases was as follows:

Within one year

Between one and five years

Between five and ten years

2007	2006
Rm	Rm
27	11
7	5
20	5
-	1

### 17. Trade and other payables

Trade payables

Value-added tax

Current portion of straight-line operating lease obligation (refer note 16.1)

Shareholders for dividends

Other payables and accrued expenses

Current portion of cash-settled compensation liability (refer note 25.6.2)

Total trade and other payables

416	341
15	9
2	2
1	1
159	107
13	-
606	460

Terms and conditions of financial liabilities:

- Trade payables are non-interest bearing and are normally settled between 30 – 60 days.

- Value-added tax, other payables and accrued expenses are non-interest-bearing provided they are settled within 30 days.

The directors consider the carrying amounts of all trade and other payables to approximate their fair value.

### 18. Minority interest loans

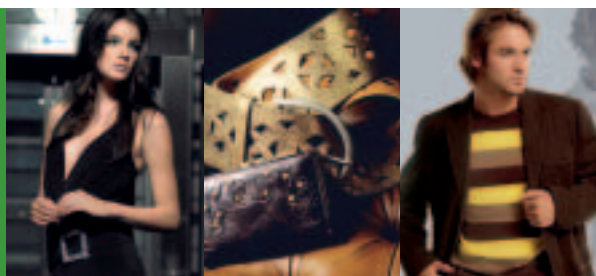
Loans raised on acquisition of Uzzi (Pty) Limited (refer note 31)

Repayment of loans from minority shareholders

Balance at the end of the period

34	-
(4)	-
30	-

The loans are interest-free, unsecured and expected to be repaid during the 2008 period.


**19. Provisions**

Balance at the beginning of the period  
Movement for the period

Provision raised

Provision utilised

Provision released

Balance at the end of the period

2007	2006
Rm	Rm
32	31
12	1
51	34
(38)	(32)
(1)	(1)
44	32

**Employment costs**

All the Group's provisions relate to estimated incentive-based employment costs, which will be no greater than the provisions raised. The provisions are calculated as a present obligation with reference to different incentive arrangements for different levels of employees. Dependent on the level of employee, the calculation could either refer to the employment contract, or employee performance and the Group's results. The incentives are expected to be paid over the period between September and November 2007. The uncertainty relating to the amount of the obligation is attributable to the fact that qualifying employees are required to be in the Group's employ at the time of payment, and the fact that payment of the larger portion of the incentives is conditional upon the outcome of individual performance assessments and Remuneration Committee approval, both of which take place after period-end.

**20. Capital commitments**

Capital commitments include all projects for which specific board approval has been obtained.

**Authorised but not yet contracted for**

Store development

Head office refurbishments

Warehousing facilities

Computer infrastructure

Total

154	119
12	20
59	3
45	30
270	172

The capital commitments will be financed by cash generated from operations and available cash resources and are expected to be incurred in the following period.

**21. Contingent liability**
**Litigation**

There is no current or pending litigation which is considered likely to have a material adverse effect on the Group.

**Operating leases**

The Group's contingent liabilities in respect of operating lease commitments are detailed in note 16.



## 22. Financial risk management

The main risks arising from the Group's financial instruments are treasury, fair value, credit and cash flow risk. Treasury risk incorporates currency risk, interest rate risk and liquidity risk. These risks are summarised below.

### 22.1 Treasury risk

The board, acting on the recommendation of the Investment Committee, oversees the management of the financial risks and treasury function relating to the Group's operations. It has developed a comprehensive treasury policy and process to monitor and control these risks. This policy has been approved by the board of directors. The Investment Committee meets regularly to update risk policies and objectives, as well as to re-evaluate risk management strategies against revised economic forecasts. Surplus cash is invested with the most highly-rated counterparties. Policy amendments have to be submitted to the board for approval. Compliance with the stated risk policy is reported on regularly by the internal audit function and is submitted to the investment committee for review.

#### 22.1.1 Currency risk

##### (i) Forward exchange contracts

The Group transacts in various foreign currencies and consequently is exposed to exchange rate fluctuations that have an impact on cash flows and financing activities. Forward exchange contracts (FECs) are utilised to reduce foreign currency exposures arising from imports into South Africa. Exports of merchandise in a foreign currency are not covered by FECs as they do not form a significant part of the Group's business.

Group policy is to cover committed import exposures. The Group had no uncovered foreign currency liabilities at 24 June 2007 (2006: Nil). At the end of the period the Group had entered into FECs to cover specific orders of goods. These contracts will mature within 12 months.

	Foreign currency m	Fair value Rm	Contract equivalent Rm	Average contract rate
<b>June 2007</b>				
US Dollars	9	63	63	7.27
<b>June 2006</b>				
US Dollars	10	75	65	6.40

The average rates shown include the cost of forward cover for periods of up to 12 months.

##### (ii) Export partnership participation

A fixed rate of exchange is set for the purposes of converting the foreign currency receipts in respect of container sales into Rands. Any exchange differences are for the account of Trencor Services (Pty) Limited and will have no impact on the earnings of the Group.



22. **Financial risk management (continued)**

22.1 **Treasury risk (continued)**

22.1.2 **Interest rate risk**

The Group is exposed to interest rate risk on its cash on hand and the interest-bearing portion of trade receivables. The interest rate and maturity profile of these instruments are summarised as follows, and no instruments have a maturity profile exceeding one year:

	Period-end interest rate %	Maturity profile within 1 year Rm
<b>Period ended June 2007</b>		
<i>Floating rate</i>		
Cash on hand*	9.1	216
Interest-bearing portion of trade receivables (this portion represents 72% of total trade receivables)	23.0	1 473
<b>Period ended June 2006</b>		
<i>Floating rate</i>		
Cash on hand*	7.1	219
Interest-bearing portion of trade receivables (this portion represents 66% of total trade receivables)	20.0	990

\* Cash on hand has a maturity profile of less than three months

22.1.3 **Liquidity risk**

The Group has R596 million (2006: R475 million) of unutilised domestic general banking facilities. The Group operates a cash management system and as a result positive cash balances and overdrafts are offset.

In terms of the company's articles of association, its borrowing powers are unlimited. The borrowing powers of the Group's wholly-owned operating subsidiary, Truworths Limited, may in terms of its articles of association be limited by the company.

The Group has minimal risk of illiquidity as reflected by its substantial unutilised banking facilities, surplus cash and unutilised gearing capacity.

22.2 **Credit risk**

Credit risk management relates primarily to trade receivables and short-term cash investments. The Group invests surplus cash only with F1 + and approved F1 rated financial institutions. The amount of exposure to any one counterparty is subject to limits imposed by the Group's treasury policy.

Trade receivables are due by a large widespread customer base. Group entities perform ongoing credit evaluations of the financial condition of their customers. The granting of credit is regulated, inter alia, by the use of sophisticated point score models and the requirements of the National Credit Act (NCA). The assumptions therein are reviewed and updated on a regular basis. The introduction of the NCA during the period requires additional credit verification procedures as well as more extensive follow-up procedures, contributing to the Group's already thorough risk verification methods. At 24 June 2007 the Group did not consider there to be any significant concentration of credit risk in respect of which adequate allowance had not been raised.



## 22. Financial risk management (continued)

### 22.2 Credit risk (continued)

#### Concentration of credit risk

There is a prima facie concentration of credit risk in relation to the Group's export partnership participation referred to in note 5.2, in that the amounts due to the Group by virtue of such participation are, in the first instance, owed by a single debtor. However, the indebtedness of this debtor to the Group is underpinned by amounts owing to it by its numerous internationally dispersed customers. Furthermore the debtor is a wholly-owned subsidiary of Trecor Limited, a JSE Limited listed company, which has warranted certain important cash flow aspects of the Group's participation in these partnerships. In addition, the partnerships have a contractual right to "put" the rights and obligations which they have under the long-term suspensive purchase agreements concluded with the seller of the containers, to Trecor Services (Pty) Limited, also a wholly-owned subsidiary of Trecor Limited, in the event that the debtor is 12 months or more in arrears with any payment due to the partnerships.

### 22.3 Fair value of financial instruments

All financial instruments have been recognised in the balance sheet and there is no material difference between their fair values and carrying amounts. The following methods and assumptions were used by the Group in establishing fair values:

#### *Financial assets and liabilities except for forward exchange contracts and cash-settled call options*

Carrying amounts reported in the balance sheet approximate fair values. The fair value of the financial instruments as at 24 June 2007 have been determined using available market information and appropriate valuation methodologies.

#### *Forward exchange contracts*

Forward exchange contracts (FECs) are entered into mainly for specific orders, and fair values are determined using market-traded foreign exchange rates with similar maturity profiles to the FECs as at 24 June 2007.

#### *Cash-settled call options*

The fair value of these options has been determined with reference to valuations performed by third party financial institutions at balance sheet date. For further information refer note 5.1.

### 22.4 Cash flow risk

The Group is exposed to fluctuations in the share price of the company as a result of the call options that have been granted to employees in terms of the cash-settled High Performance Share-based Scheme. The Group uses derivative instruments, in the form of cash-settled call options, to hedge its exposure in respect of these fluctuations. Sufficient options were purchased in order to settle the total expected future liability.

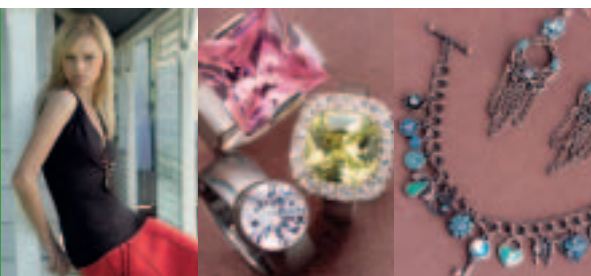
#### 2007

Cash paid to employees under cash-settled share-based obligation	(Rm)	4
Cash received on exercise of derivative financial instruments	(Rm)	4

#### 2006

There were no cash amounts paid to employees under the cash-settled share-based scheme and no cash was received as no derivative financial instruments were exercised.

## NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS



	2007	2006
	Rm	Rm
<b>23. Revenue</b>		
Sale of merchandise	4 858	3 816
Retail sales	4 835	3 800
Franchise sales	23	16
Interest received	345	288
Investment interest	27	31
Trade receivables interest	318	257
Other income (refer note 24.1)	95	81
Commission	75	68
Royalties	2	1
Other	18	12
Display fees (refer note 24.4)	21	17
Lease rental income (refer note 24.4)	7	9
Dividends received	-	2
<b>Total</b>	<b>5 326</b>	<b>4 213</b>
Credit:cash sales mix	<b>73:27</b>	<b>74:26</b>
<b>24. Trading profit</b>		
Trading profit is stated after taking account of the following items:		
<b>24.1 Other income</b>		
Commissions	75	68
Royalties	2	1
Other	18	12
<b>Total</b>	<b>95</b>	<b>81</b>
<b>24.2 Depreciation and amortisation</b>		
Depreciation (refer note 2)	74	67
Amortisation (refer note 4)	8	7
<b>Total</b>	<b>82</b>	<b>74</b>

## NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS



### 24. Trading profit (continued)

#### 24.3 Employment costs

The Group employed 5 950 full-time equivalent employees at the end of the period (2006: 5 180). The aggregate remuneration and associated costs for the period relating to the employment of permanent and flexi-time employees including executive directors were:

	2007	2006
	Rm	Rm
Salaries, bonuses, wages and other benefits	466	381
Contributions to the defined contribution plans (refer note 25.3)	28	25
Post-retirement medical benefit obligation (refer note 15)	3	3
Medical scheme contributions	23	20
Share-based payments	37	13
Equity-settled (refer note 25.6.1)	4	6
Cash-settled (refer note 25.6.2)	33	7
<b>Total</b>	<b>557</b>	<b>442</b>
<b>24.4 Occupancy costs</b>		
Land and buildings	280	229
Minimum lease payments	279	234
Turnover clause payments	29	21
	<b>308</b>	<b>255</b>
Display fees received (refer note 23)	(21)	(17)
Lease rental income (refer note 23)	(7)	(9)
	<b>1</b>	<b>1</b>
Plant and equipment	1	1
<b>Total net operating lease expenses</b>	<b>281</b>	<b>230</b>
Other occupancy costs	52	42
<b>Total</b>	<b>333</b>	<b>272</b>
<b>24.5 Other operating costs</b>		
Trade receivable costs	280	156
Audit fees – current period*	2	2
Management, technical, consulting and secretarial fees paid	35	27
Administration and other costs	77	70
Sales promotion, advertising and communications	156	135
Foreign exchange loss/(gain)	11	(7)
(Gain)/loss on revaluation of derivative financial instruments	(18)	7
<b>Total</b>	<b>543</b>	<b>390</b>

\* Inclusive of R153 000 in respect of taxation and advisory services



## 25. Directors and employees

Months paid	Short-term benefits				Post-retirement benefits	Long-term benefits	Total emoluments	Fair value of equity-settled options granted**
	Directors' fees	Salaries	Performance bonus*	Allowances	Pension contributions	Share loan fringe benefits		
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000

## 25.1 Directors' emoluments 2007

**Executive directors**

Michael Mark	12	–	3 411	5 800	308	748	1 305	11 572	339
Tony Taylor	12	–	1 238	1 000	271	287	378	3 174	65
Wayne van der Merwe	12	–	1 032	800	165	234	191	2 422	56
<b>Total</b>		–	<b>5 681</b>	<b>7 600</b>	<b>744</b>	<b>1 269</b>	<b>1 874</b>	<b>17 168</b>	<b>460</b>

**Non-executive directors**

Rob Dow	12	189	–	–	–	–	–	189	–
Thandi Ndlovu	12	104	–	–	–	–	–	104	–
Edward Parfett	12	119	–	–	–	–	–	119	–
Hilton Saven	12	283	–	–	–	–	–	283	13
Mike Thompson	12	165	–	–	–	–	–	165	–
Sisa Ngebulana	1	25	–	–	–	–	–	25	–
<b>Total</b>		<b>885</b>	–	–	–	–	–	<b>885</b>	<b>13</b>

**2006**
**Executive directors**

Michael Mark	12	–	3 124	5 600	306	687	1 151	10 868	587
Tony Taylor	12	–	1 006	900	348	219	306	2 779	113
Wayne van der Merwe	12	–	944	775	160	214	148	2 241	97
<b>Total</b>		–	<b>5 074</b>	<b>7 275</b>	<b>814</b>	<b>1 120</b>	<b>1 605</b>	<b>15 888</b>	<b>797</b>

**Non-executive directors**

Rob Dow	12	175	–	–	–	–	–	175	–
Thandi Ndlovu	12	90	–	–	–	–	–	90	–
Edward Parfett	12	98	–	–	–	–	–	98	–
Hilton Saven	12	255	–	–	–	–	–	255	22
Mike Thompson	12	150	–	–	–	–	–	150	–
<b>Total</b>		<b>768</b>	–	–	–	–	–	<b>768</b>	<b>22</b>

\* Determined on performance for the period ended June and excludes amounts paid in terms of the High Performance Share-based Scheme (HPSS), details of which are included below in "Cash-settled compensation scheme".

\*\* The fair value of equity-settled options granted is the annual expense as determined in accordance with IFRS 2, 'Share-based Payments' and is presented for information purposes only, as it is not regarded as constituting emoluments, given that the fair value was neither received by nor accrued to the directors during the period. Gains made on the exercise of such options are disclosed in note 25.2 in the period when vesting occurs.

**Executive directors**

All amounts received by the executives, while being directors of the company, were in respect of services rendered to, and in connection with the carrying on of the affairs of a subsidiary. These emoluments were paid by the subsidiaries. The Chief Executive Officer entered into a further three-year contract with the Group with effect from 1 July 2005. In terms of the contract, he will be entitled to a guaranteed remuneration package, payable monthly over three years, and to participate in the Group's various cash and share incentive schemes. Both parties have the right to terminate the contract on a six-month notice period but should the Group do so for reasons other than improper conduct prior to the conclusion of the three-year period, the balance of the remuneration package owing in terms of the contract would be payable. The contract requires a six month notice period to be provided in the case of permanent disability/incapacitation.

Mr Tony Taylor reached retirement age and decided to extend his retirement date and remain with the Group.



25. **Directors and employees (continued)**

25.1 **Directors' emoluments (continued)**

**Non-executive directors**

All amounts received by the non-executive directors were for services rendered as directors of the company. None of the non-executive directors have service contracts with the company. These emoluments were paid by the company.

**Consultancy fees**

There were no consultancy fees paid to executive and non-executive directors during the period (2006: Nil).

**Cash-settled compensation scheme**

During the period the remuneration committee allocated R22 million (2006: R23 million) to participants for the acquisition of cash-settled call options in accordance with the HPSS, details of which are provided in the Remuneration Report on pages 89 to 90. The cost of the allocation relating to the executive directors amounted to R4.1 million (2006: R6.3 million).

During the period an amount totalling R4.4 million (2006: RNil), was paid to participants pursuant to the HPSS on successful attainment of Group and individual performance targets. The amounts paid in terms of the HPSS to executive directors during the period were: MS Mark R2 million, AJ Taylor R45 000 and WM van der Merwe R45 000. No amounts were paid in terms of the HPSS to executive directors in respect of the 2006 period.

25.2 **Directors' equity-settled share option gains**

Executive  
Non-executive  
Total

2007	2006
Rm	Rm
8	8
-	-
8	8

The directors may exercise their equity-settled share options at any date subsequent to the offer date. The shares acquired on exercise of the options are, however, only eligible for sale after the vesting date, when ownership passes to the directors who are then able to dispose of the shares. The share option gain is therefore the difference between the strike price and the company's share price on the vesting date.

25.3 **Defined contribution retirement funds**

**Alexander Forbes Retirement Fund: Defined contribution plan**

This is a defined contribution arrangement whereby the members pay 7.5% of their below-threshold pensionable salary as contributions towards retirement benefits. The Group contributes 10.5% towards retirement benefits, life insurance, disability benefits and administration costs. The fund's retirement age is 60. Membership of either this fund or the Saccawu National Provident Fund is compulsory for all full-time or part-time permanent South African and Swaziland based employees (excluding flexi-time employees) under normal retirement age. The member's pension entitlement at retirement age is determined by his/her share of the fund. Alternatively, the member is entitled to elect up to one-third of the share as a cash lump sum payout and receive the balance in the form of a monthly pension. The plan is registered under the Pension Funds Act, 1956, as amended.

**Investment Solutions Pension Fund: Defined contribution plan**

All employees above an annually determined pensionable salary threshold have an option of paying 7.5% of their above-threshold earnings as contributions into this fund, which is an umbrella retirement funding arrangement. The Group contributes 7.5% to this fund and an additional 2.9% of the above-threshold pensionable earnings towards life insurance, disability benefits and administration costs. The member's pension entitlement at retirement age is determined by his/her share of the fund. The fund's retirement age is 60 and retirement from this fund must coincide with retirement from the Alexander Forbes Retirement Fund. The plan is registered under the Pension Funds Act, 1956, as amended.



25. **Directors and employees (continued)**

25.3 **Defined contribution retirement funds (continued)**

**Saccawu National Provident Fund: Defined contribution plan**

The Saccawu National Provident Fund is an umbrella money purchase arrangement administered by Old Mutual. Members pay 7.5% of their pensionable salary towards retirement benefits. The Group contributes 10.0% of pensionable salaries towards retirement benefits, life insurance, disability benefits and administration costs. Membership of either the Alexander Forbes Retirement Fund or of the Saccawu National Provident Fund is compulsory for all permanent full-time and part-time South African and Swaziland employees (excluding flexi-time employees). The member's pension entitlement at retirement age is determined by his/her share of the fund. The plan is registered under the Pension Funds Act, 1956, as amended.

**Namflex Pension Fund: Defined contribution plan**

The Namflex Pension Fund is a money purchase arrangement whereby the members pay 7.5% of their pensionable salary as contributions towards retirement benefits. The Group contributes 7.5% to retirement benefits and an additional 3.5% of pensionable salaries towards life insurance, disability benefits and administration costs. The fund's retirement age is 60. Membership of the fund is compulsory for all Namibian permanent employees under normal retirement age. The member's pension entitlement at retirement age is determined by his/her share of the fund. Alternatively, the member is entitled to elect up to one-third of the share as a cash lump sum payout and receive the balance in the form of a monthly pension. The plan is registered under the Namibian Pension Funds Act.

**Swaziland National Provident Fund: Defined contribution plan**

The Swaziland National Provident Fund is an arrangement whereby the members and the Group pay a statutory contribution based on members' earnings on a 50/50 basis with a maximum contribution of E60 based on a maximum wage of E600. The fund provides for a retirement benefit at or after age 45 and an age benefit at or after age 50. The fund also provides for a disability benefit, immigration benefit and a survivor's benefit. The employer is registered under the provisions of the Registration of Contributing Employers Regulations 1975, and Section 8 of the Swaziland National Provident Fund Order 1974. Membership of the fund is compulsory for all Swaziland based permanent employees under normal retirement age. The member's pension entitlement at retirement age is determined by his/her share of the fund.

**Summary per fund**

Alexander Forbes Retirement Fund  
 Investment Solutions Pension Fund  
 Saccawu National Provident Fund  
 Namflex Pension Fund  
 Swaziland National Provident Fund

	2007	2006	2007	2006
			Rm	Rm
	Number of members	Number of members	Contributions	Contributions
Alexander Forbes Retirement Fund	2 535	2 414	24	22
Investment Solutions Pension Fund	20	23	2	1
Saccawu National Provident Fund	425	395	2	2
Namflex Pension Fund	49	49	—*	—*
Swaziland National Provident Fund	13	15	—*	—*
	<b>3 042</b>	<b>2 896</b>	<b>28</b>	<b>25</b>

The Group expects to contribute R31 million to the above-mentioned funds in the next period.

\* Reflected as zero, due to rounding to millions



25. **Directors and employees (continued)**

25.4 **Defined benefit healthcare funds**

Group employees participate in the Wooltru Healthcare Fund or the Ingwe Healthcare Plan (the funds). These operate as defined benefit medical aid schemes.

Employees who participated in the Wooltru Healthcare Fund (the WHF) and who joined the Group prior to 30 June 2000, continue to enjoy Group subsidised contributions after retirement on the same basis as permanent employees. For further information related to the Group's post-retirement benefit obligation refer to note 15.

The audited annual financial statements of the WHF at 31 December 2006 reveal that it was in a sound financial position having improved its solvency ratio from 91.9% to 95.9%, of which 46.6% comprises its HIV reserve.

The Group expects to contribute R25 million to these funds in respect of short-term healthcare benefits in the next period.

	2007	2006
	Rm	Rm
25.5 <b>Other</b>		
Staff discount allowance	4	4

Group employees and pensioners are entitled to a discount on purchases made at Group stores.

25.6 **Share-based payment plans**

25.6.1 **Equity-settled compensation scheme**

The group operates an equity-settled compensation scheme, detailed information on which is provided in the Remuneration Report on page 89.

The expense recognised for employee services rendered during the period (refer note 24.3)

2007	2006
4	6

Details of options granted during the period are as follows:

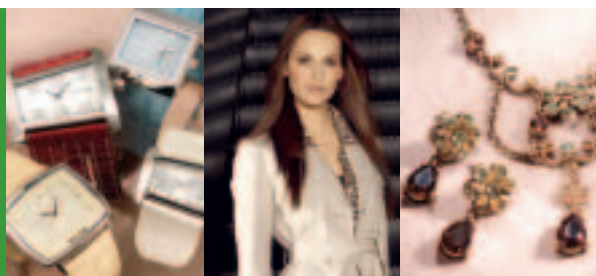
		2007	2006
Expected life of option	(years)	3 – 7	3 – 7
Grant price	(R)	22.42 – 41.51	18.65 – 28.13
Expected volatility	(%)	25	25
Expected dividend yield	(%)	2.9 – 3.9	3.1 – 3.5
Risk-free interest rate	(%)	7.0 – 10.2	6.7 – 8.4

The expected volatility is based on historical volatility of the company's share price, adjusted for the initial high volatility immediately after listing, the abnormal volatility experienced during the overall share market adjustment in September 1998, previous periods' interest rates that fluctuated widely, the fact that inflation has decreased substantially and the tendency of volatility to revert to its mean.

The expected dividend yield is the best estimate of the forward looking dividend yield over the expected life of the option. This has been estimated by reference to the historical average dividend yield during the prior period.

The risk-free rate is the yield on zero-coupon South African government bonds of a term consistent with the estimated option term.

# NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS



## 25. Directors and employees (continued)

### 25.6 Share-based payment plans (continued)

#### 25.6.1 Equity-settled compensation scheme (continued)

The following table illustrates the number of shares and options held by eligible participants including executive directors:

	2007	2006
	Number of shares	Number of shares
	000's	000's
Shares held by participants	5 413	5 991
Shares held by the trust	165	165
Options held by participants	14 379	18 474
Inclusion (in terms of trust deed) of shares sold by participants, who are still employees or directors	14 402	10 564
<b>Total utilisation at the end of the period</b>	<b>34 359</b>	<b>35 194</b>
Issued share capital at the end of the period	450 773	482 915
% utilisation	7.6	7.3
Shares available for utilisation	33 256	37 242
% available for utilisation	7.4	7.7
<b>Shares held by participants</b>		
Balance held by participants at the beginning of the period	5 991	5 851
Issued when options exercised	-	444
Shares sold	(578)	(304)
<b>Balance held by participants at the end of the period</b>	<b>5 413</b>	<b>5 991</b>
<b>Shares held by trust</b>	<b>165</b>	<b>165</b>

#### Options held by participants

The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options during the period:

	Number of options	Number of options
	000's	000's
Balance held by participants at the beginning of the period	18 474	21 471
Options granted	266	290
Options exercised	(4 084)	(2 889)
Options forfeited	(277)	(398)
<b>Balance held by participants at the end of the period</b>	<b>14 379</b>	<b>18 474</b>
<b>Details of options exercised during the period</b>		
Average subscription price per share	R5.56	R5.95
Weighted average market price per share	R33.28	R23.72
<b>Summarised exercise conditions applicable to options</b>		
Earliest date on which options could have been exercised	1/7/2007	1/7/2006
Latest date by which options become exercisable	23/6/2012	1/6/2011
Latest date by which options will lapse if not exercised	23/6/2017	1/6/2016
Lowest price	R2.28	R2.28
WAEP	R6.97	R6.51
Highest price	R41.51	R28.13



25. **Directors and employees (continued)**

25.6 **Share-based payment plans (continued)**

25.6.2 **Cash-settled compensation scheme**

This liability is recognised in terms of IFRS 2, 'Share-based Payments' and arose from the implementation of the HPSS, detailed information on which is provided in the Remuneration Report on pages 89 to 90.

The movement in the Group's cash-settled compensation liability during the period is illustrated below:

	2007	2006
	Rm	Rm
Balance at the beginning of the period	7	-
Decrease in liability during the period	(4)	
On settlement	(2)	-
On forfeiture	(2)	-
Expense recognised for employee services rendered (refer note 24.3)	33	7
Current portion reflected under trade and other payables (refer note 17)	(13)	-
Balance at the end of the period	23	7

The Group's liability has been hedged, as reflected in note 5.1. The fair value of the liability at the end of the period was determined by way of valuations performed using an actuarial binomial option pricing model. The inputs into the valuation model are as follows:

Weighted average HPSS option exercise price	(R)	28.39	19.12
Expected life of HPSS options	(years)	1 - 4	1 - 4
Company share price at period-end	(R)	36.00	20.55
Expected share price volatility*	(%)	29.8	28.0
Expected share dividend yield	(%)	2.9 - 3.6	4.3
Risk-free interest rate	(%)	10.0 - 10.3	7.5 - 9.4

\* The expected share price volatility is based on historical information over a period of three years

At the balance sheet date, the intrinsic value of the Group's liability, being the difference between the market value of the company's shares multiplied by the aggregate number of unexercised HPSS options, and the aggregate exercise price of the unexercised HPSS options in respect of which a liability has been recognised amounted to R35 million (2006: R4 million).

# NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS



## 26. Tax expense

### 26.1 Current period tax charge

South African normal tax

Current tax

Current period

Prior period (over)/under provision

Deferred tax (refer note 14)

Current period

Prior period over provision

Foreign tax

Current period

Secondary tax on companies

Total

2007	2006
Rm	Rm
496	391
497	379
(1)	12
(31)	(24)
(30)	(17)
(1)	(7)
5	5
5	5
57	48
527	420

Group companies have lodged their income tax returns for the 2006 tax year. Income tax payments for tax-paying Group companies have been made in respect of the second period of the 2007 tax year. The most recent income tax assessments issued to Group companies were in respect of the 2005 tax year.

### 26.2 Reconciliation of effective tax rate

South African normal tax rate

(%)

29.0

29.0

Increase in rate of tax due to:

Disallowable expenditure

(%)

0.5

0.7

Prior period adjustments

(%)

-

0.5

Secondary tax on companies

(%)

3.5

3.9

(%)

33.0

34.1

Decrease in rate of tax due to:

Difference in foreign and trust tax rates

(%)

-

(0.1)

Other non-taxable income

(%)

(0.5)

(0.2)

Effective tax rate

(%)

32.5

33.8

## NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS



### 27. Dividends paid and proposed

#### Final dividend – 2005

Cash dividend of 37.0 cents per share declared on 18 August 2005 and paid on 12 September 2005.

#### Interim dividend – 2006

Cash dividend of 44.0 cents per share declared on 22 February 2006 and paid on 20 March 2006.

#### Final dividend – 2006

Cash dividend of 45.0 cents per share declared on 24 August 2006 and paid on 18 September 2006.

#### Interim dividend – 2007

Cash dividend of 60.0 cents per share declared on 14 February 2007 and paid on 12 March 2007.

Less dividends received on treasury shares held by subsidiaries

Total

2007	2006
Rm	Rm
	180
	215
217	
269	
(30)	(35)
456	360

The final dividend for the period ended 24 June 2007 of 60.0 cents per share, declared on 23 August 2007 to shareholders registered on the record date of 14 September 2007, was payable on 17 September 2007 and gave rise to secondary tax on companies of approximately R33 million. No provision regarding this final dividend and the secondary tax on companies thereon has been recognised.

### 28. Earnings and cash flow per share

Basic earnings per share is derived by dividing profit for the period attributable to equity holders of the parent (PPEH), by the adjusted weighted average number of issued shares. Appropriate adjustments thereto are made in calculating diluted basic and headline earnings per share.

PPEH used in calculating basic, diluted and headline earnings

1 080

823

The weighted average number of ordinary shares, adjusted for treasury shares held by subsidiaries, and referred to hereafter as “adjusted weighted average number of issued shares” is used in calculating all the basic earnings, headline earnings and cash flow earnings per share amounts below:

Adjusted weighted average number of issued shares

Adjusted issued shares at the beginning of the period

Weighted average number of shares repurchased or cancelled during the period

Weighted average number of shares issued during the period

No. shares Millions	No. shares Millions
434.5	441.6
433.9	447.5
(0.2)	(6.6)
0.8	0.7

## NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS



		2007	2006
		No. shares	No. shares
		Millions	Millions
<b>28. Earnings and cash flow per share (continued)</b>			
<b>28.1 Basic and headline earnings basis</b>			
During the period there was no difference between basic and headline earnings.			
Basic and headline earnings per share	(cents)	248.6	186.4
<b>28.2 Fully diluted earnings basis</b>			
Adjusted weighted average number of issued shares			
		434.5	441.6
Add: Dilutive effect of share options			
		10.9	13.2
Fully diluted weighted average number of issued shares		445.4	454.8

During the period there was no difference between basic and diluted earnings.

The dilution arises from share options outstanding in respect of the equity-settled share incentive scheme. The amount of the dilution is calculated with reference to the difference between the fair value and the issue price of the company's shares, the issue price being adjusted for the cost of share-based payments, being the fair value of services to be supplied. Fair value is determined using the weighted average market price of the shares during the period.

Fully diluted basic and headline earnings per share	(cents)	242.5	181.0
Percentage dilution in basic and headline earnings per share	(%)	2.5	2.9

### 28.3 Cash flow basis

This basis focuses on the cash inflow actually achieved during the period. Cash flow per share is calculated by dividing cash inflow from operations by the adjusted weighted average number of issued shares.

		Rm	Rm
Cash inflow from operations		813	501
Cash flow per share	(cents)	187.1	113.5

### 28.4 Cash equivalent earnings basis

This basis recognises the potential of the earnings stream to generate cash. It is therefore an indicator of the underlying quality of earnings. Cash equivalent earnings per share is calculated by dividing the cash equivalent earnings by the adjusted weighted average number of issued shares.

PPEH		1 080	823
Adjusted for:			
Non-cash items (refer note 30.1)		117	94
Deferred tax (refer note 30.4)		(31)	(24)
Cash equivalent earnings		1 166	893
Cash equivalent earnings per share	(cents)	268.4	202.3

### 28.5 Cash realisation rate

	(%)	70	56
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This represents the potential cash earnings realised and is derived by dividing cash flow per share by cash equivalent earnings per share.

## NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

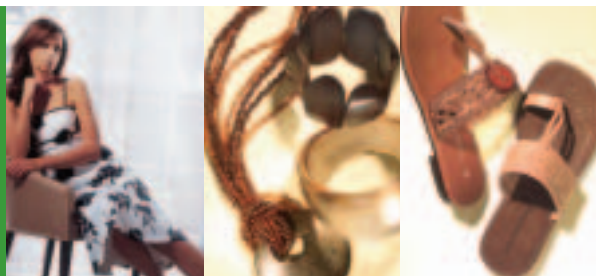


### 29. Related party disclosures

During the period Group companies, in the ordinary course of business, entered into various transactions with each other. These transactions occurred under terms that are no less favourable than those arranged with third parties and have been eliminated on consolidation. Details of the inter-company loan balances and interest thereon are disclosed below and in annexure one. Details of treasury shares held by subsidiaries and of related party transactions therein are disclosed in note 12.

Related party transactions during the period were as follows:

	2007	2006
	Rm	Rm
<b>Parent Company</b>		
<b>Truworths International Limited (TI)</b>		
Management fees received from TW	2	2
Dividend received from TW	472	400
Dividend received from TW Inv	8	4
Dividend received from TW Inv 2	6	2
Amount owing to TW	(1 818)	(352)
Amount owing by YDE	17	47
Amount owing by TW Inv	131	131
Amount owing by TW Inv 2	196	120
Amount owing by TW Inv 3	92	-
Amount owing by Uzzi	30	-
<b>Subsidiaries</b>		
<b>Truworths Limited (TW)</b>		
Sale of merchandise to TN and TS	47	44
Management fees received from TN, TS and YDE	18	13
Management fees paid to TI	2	2
Dividend received from TI	16	29
Amount owing by TN	1	10
Amount owing by TS	4	3
Amount owing by YDE	1	1
Amount owing by Uzzi	2	-
Amount owing by Truworths International Share Trust	24	26
Amount owing by TI	1 818	352
<b>Truworths (Namibia) Limited (TN)</b>		
Purchase of merchandise from TW	33	31
Management fees paid to TW	9	8
Amount owing to TW	1	10
<b>Truworths (Swaziland) Limited (TS)</b>		
Purchase of merchandise from TW	14	13
Management fees paid to TW	4	3
Amount owing to TW	4	3
<b>Young Designers Emporium (Pty) Limited (YDE)</b>		
Management fees paid to TW	5	2
Amount owing to TW	1	1
Amount owing to TI	17	47


**29. Related party disclosures (continued)**
**Uzzi (Pty) Limited (Uzzi)**

Amount owing to TW

Amount owing to TI

Loans from minority shareholders

**Truworths Investments (Pty) Limited (TW Inv)**

Dividend received from TI

Amount owing to TI

**Truworths Investments Two (Pty) Limited (TW Inv 2)**

Dividend received from TI

Amount owing to TI

**Truworths Investments Three (Pty) Limited (TW Inv 3)**

Amount owing to TI

2007	2006
Rm	Rm
2	–
30	–
30	–
8	4
131	131
6	2
196	120
92	–

**Post-retirement benefit plans**

The Group is a member of various defined contribution plans as well as a defined benefit plan. For further information refer to note 25.3.

**Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling activities, directly or indirectly, including any director of that entity. Details relating to executive and non-executive directors' emoluments, and shareholdings (including options) in the company, are disclosed in note 25.1, 25.2 and annexure two. Directors of the company and the subsidiary Truworths Limited, have been classified as key management personnel. Below is a summary of the total emoluments attributable to the key management personnel for the period.

**Category**

Short-term benefits

Post-retirement benefits

Equity-settled compensation benefits

Cash-settled compensation benefits

Total emoluments

28	26
2	2
1	2
2	–
33	30

Details of housing loans to key management personnel are contained in note 5.3. Details of secured loans made in order to participate in the share incentive scheme are contained in note 5.5.

**Interest of directors in contracts**

No directors have a material interest in any transaction with the company or any of its subsidiaries.

**Other related parties**

The Group has identified the Truworths Chairman's Foundation, the Truworths Community Foundation and the Truworths Social Involvement Trust as related parties. Donations to these entities during the period amounted to RNil (2006: R1.5 million), R2 million (2006: R1.5 million) and R5 million (2006: R4 million) respectively. No financial benefits are derived by the Group from these relationships. Details of loans to these entities are disclosed in note 5.6.

# NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS



		2007	2006
	Note	Rm	Rm
<b>30. Notes to the Group cash flow statements</b>			
<b>30.1 Cash flow from trading</b>			
Profit before tax		1 617	1 244
Add: Non-cash items		117	94
Depreciation and amortisation	24.2	82	74
Straight-line operating lease obligation		3	3
(Gain)/loss on revaluation of derivative financial instruments		(18)	6
Donations		–	3
Unrealised foreign exchange gains		10	(8)
Post-retirement medical benefit obligation		3	3
Share-based payments – equity-settled	25.6.1	4	6
Share-based payments – cash-settled	25.6.2	33	7
Interest received	23	(345)	(288)
Dividends received	23	–	(2)
<b>Net inflow</b>		<b>1 389</b>	<b>1 048</b>
<b>30.2 Working capital movements</b>			
Increase in inventories		(56)	(30)
Increase in trade and other receivables, prepayments		(447)	(328)
Increase in trade and other payables and provisions		131	84
<b>Net outflow</b>		<b>(372)</b>	<b>(274)</b>
<b>30.3 Interest received</b>			
Investment interest	23	27	31
Trade receivables interest	23	318	257
<b>Net inflow</b>		<b>345</b>	<b>288</b>
<b>30.4 Tax paid</b>			
Amounts owing at the beginning of the period		(147)	(266)
Amounts charged to the income statement		(527)	(420)
South African normal tax	26.1	(496)	(391)
Foreign tax	26.1	(5)	(5)
Deferred tax	26.1	31	24
Secondary tax on companies	26.1	(57)	(48)
Deferred tax movement		(31)	(24)
Amounts owing at the end of the period		156	147
<b>Net outflow</b>		<b>(549)</b>	<b>(563)</b>

## NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS



	2007	2006
	Rm	Rm
<b>30. Notes to the Group cash flow statements (continued)</b>		
<b>30.5 Acquisition of property, plant and equipment to maintain operations</b>		
Equipment, furniture and fittings	(25)	(16)
Computer equipment	(6)	(5)
<b>Net outflow</b>	<b>(31)</b>	<b>(21)</b>
<b>30.6 Acquisition of property, plant and equipment to expand operations</b>		
Land and buildings	(1)	(7)
Equipment, furniture and fittings	(102)	(64)
Computer equipment	(14)	(8)
<b>Net outflow</b>	<b>(117)</b>	<b>(79)</b>
<b>30.7 Dividends paid</b>		
Amounts owing at the beginning of the period	(1)	(1)
Amounts charged to the statement of changes in equity	(456)	(360)
Amounts paid to minority shareholders	-	(2)
Amounts owing at the end of the period	1	1
<b>Net outflow</b>	<b>(456)</b>	<b>(362)</b>
<b>30.8 Acquisition of net investment in subsidiary</b>		
Acquisition of Uzzi (Pty) Limited		
The Group acquired 51% of Uzzi (Pty) Limited (refer note 31)		
Consideration paid	(37)	-
Cash paid	(35)	-
Directly attributable acquisition costs	(2)	-
Less: Cash and cash equivalents acquired	8	-
<b>Net outflow on acquisition</b>	<b>(29)</b>	<b>-</b>

## NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS



### 31. Business combination

#### Acquisition of Uzzi (Pty) Limited

On 3 July 2006, the Group acquired 51% of the share capital of and shareholders' loan claim against Uzzi (Pty) Limited, a newly formed company. On this date this company acquired from Uzzi Clothing (Cape) (Pty) Limited, the Uzzi business which specialises in the retail sale of upper end men's fashion clothing, as a going concern.

The fair values and the carrying amounts of the identifiable assets and liabilities of the Uzzi business, at and immediately before acquisition date respectively, were as follows:

	Fair value	Carrying amount
	Rm	Rm
Property, plant and equipment	3	3
Cash and cash equivalents	8	8
Inventories	7	7
Trade and other receivables	1	1
Trade and other payables	(2)	(2)
Total	17	17
Trademark	34	
Total fair value	51	
Cost of the business combination	(71)	
Goodwill arising on acquisition	20	

Uzzi (Pty) Limited financed the cost of the business combination, including transaction costs of R2 million, with loans from the shareholders, equal to their respective share in the fair value of the identifiable assets and liabilities acquired.

The goodwill arising on acquisition is attributable to the Uzzi business' superior store locations, long-term manufacturer and supplier relationships, good profitability and cash flow generation, and loyal customer base. These intangible assets were not separately recognised as it was not possible to measure their fair values reliably.

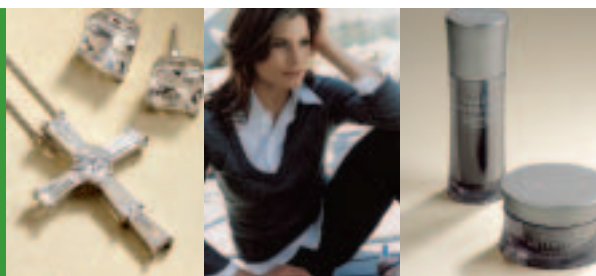
	Rm
Uzzi has achieved the following results since acquisition to period-end:	
Revenue	84
Profit before tax	27

There is no material difference in revenue and profit since acquisition, and revenue and profit had the acquisition taken place at the beginning of the period.

Two of the estimated fair values reflected in the 2006 annual financial statements have been amended during the period. The trademark is now reflected at R34 million (2006: R20 million) following the valuation thereof by independent trademark experts, and cash and cash equivalents have increased to R8 million (2006: R2 million) as a result of additional profits in the Uzzi business prior to the acquisition date.

The Group is likely to exercise its option to increase its shareholding in Uzzi from 51% to 100% during the 2008 period.

## NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS



### 32. Comparative figures

Comparative figures have been restated as a result of the following classification changes:

The Group has reclassified the 2006 provision for incentive-based employment costs amounting to R32 million from trade and other payables to provisions to allow for an accurate comparison between current and prior period amounts. For further disclosure refer to note 19.

The Group has reclassified a prior period amount of R52 million from intangible assets to goodwill.

The Group has reclassified a prior period amount of R22 million from other operating expenses to revenue to allow for a more accurate comparison between current and prior period amounts. For further information refer to note 23.

The Group previously netted off its "Other income" of R81 million against "Other operating expenses". In the current period the Group has elected to disclose "Other income" in a separate line item on the income statement, in terms of the requirement of IAS 1, 'Presentation of Financial Statements'. For further information refer to note 24.1.

### 33. Segment information

The primary segments of the Group have been identified as the Truworths, YDE and Uzzi business units.

Truworths is a retailer in fashion apparel providing a local blend of clothing and other fashion products to women, men and children.

YDE retails, on an agency basis, the clothing and other related products of local and emerging South African designers.

Uzzi is a retailer in fashion apparel providing Italian-inspired formal and lifestyle clothing to South African men.

#### 33.1 Primary segments

	Truworths	YDE	Uzzi	Corporate#	Group
	Rm	Rm	Rm	Rm	Rm
<b>2007</b>					
Segment revenue*	5 150	66	82	28	5 326
Segment result	1 539	28	25	(320)	1 272
Dividends received	16	-	-	(16)	-
Investment income	21	3	2	319	345
Profit/(loss) before tax	1 576	31	27	(17)	1 617
Tax expense	(510)	(9)	(8)	-	(527)
<b>Profit/(loss) for the period</b>	<b>1 066</b>	<b>22</b>	<b>19</b>	<b>(17)</b>	<b>1 090</b>
Segment assets* *	4 795	53	67	(1 578)	3 337
Segment liabilities	733	40	67	93	933
<i>Other segment information</i>					
Capital expenditure	146	8	56	-	210
- Property	1	-	-	-	1
- Plant, equipment, furniture and fittings	117	8	2	-	127
- Computer equipment	20	-	-	-	20
- Intangible assets	8	-	34	-	42
- Goodwill	-	-	20	-	20
Depreciation and amortisation	79	2	1	-	82
Gross margin (%)	55	-	59	-	55
Trading margin (%)	26	-	30	-	26
Stock turn (times)	6.2	-	4.0	-	6.1
Credit:cash sales mix (%)	74:26	20:80	2:98	n/a	73:27

\* Segment revenue includes trade receivables interest

\*\* Segment assets include trade and other receivables

# "Corporate" represents unallocated segments and consolidation entries

## NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS



### 33. Segment information (continued)

#### 33.1 Primary segments (continued)

	Truworths	YDE	Uzzi	Corporate#	Group
	Rm	Rm	Rm	Rm	Rm
<b>2006</b>					
Segment revenue*	4 127	54	–	32	4 213
Segment results	1 194	20	–	(260)	954
Dividends received	31	–	–	(29)	2
Investment income	27	1	–	260	288
Profit/(loss) before tax	1 252	21	–	(29)	1 244
Tax expense	(410)	(7)	–	(3)	(420)
<b>Profit/(loss) for the period</b>	<b>842</b>	<b>14</b>	<b>–</b>	<b>(32)</b>	<b>824</b>
Segment assets**	3 461	47	–	(874)	2 634
Segment liabilities	566	15	–	145	726
<i>Other segment information</i>					
Capital expenditure	107	14	–	–	121
– Property	7	–	–	–	7
– Plant, equipment, furniture and fittings	80	–	–	–	80
– Computer equipment	13	–	–	–	13
– Intangible assets	7	–	–	–	7
– Goodwill	–	14	–	–	14
Depreciation and amortisation	72	2	–	–	74
Gross margin (%)	54	–	–	–	54
Trading margin (%)	25	–	–	–	25
Stock turn (times)	6.1	–	–	–	6.1
Credit:cash sales mix (%)	74:26	18:82	n/a	n/a	74:26

#### 33.2 Geographical segments

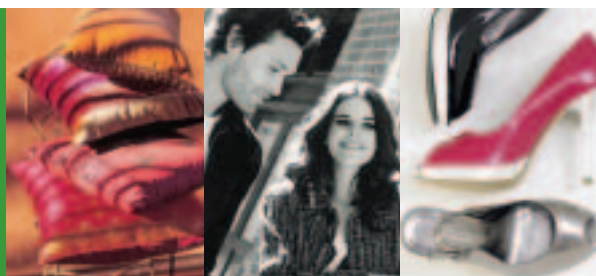
The Group's main geographical regions consist of southern Africa, and outside of southern Africa, based on the location of the Group's customers. Southern Africa comprises South Africa, Namibia, Swaziland, Botswana and Lesotho.

	Southern Africa	Other	Total
	Rm	Rm	Rm
<b>2007</b>			
Segment revenue*	5 315	11	5 326
Segment assets**	3 337	–	3 337
Capital expenditure	210	–	210
<b>2006</b>			
Segment revenue*	4 206	7	4 213
Segment assets**	2 634	–	2 634
Capital expenditure	121	–	121

\* Segment revenue includes trade receivables interest

\*\* Segment assets include trade and other receivables

# "Corporate" represents unallocated segments and consolidation entries



33. **Segment information (continued)**

33.3 **Components of Truworths**

Within the operating segment, Truworths, the following components exist that have not been separately identified as individual operating segments since they have similar economic characteristics. However within the internal management structure, separate responsibilities and strategies are assigned to these components. These components comprise the following:

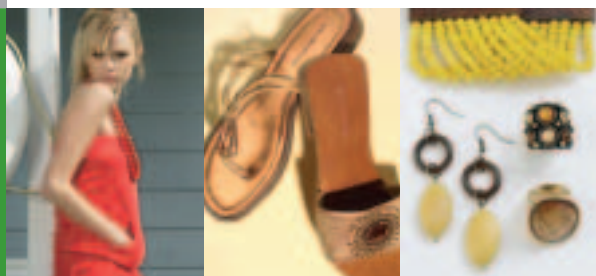
	Sale of merchandise 2007 Rm	Sale of merchandise 2006 Rm	% change
Truworths Womenswear	2 062	1 700	21%
Truworths Man	895	720	24%
Daniel Hechter	561	427	31%
LTD	146	121	21%
Inwear	289	237	22%
Identity	502	362	39%
Other	408	345	18%
Reconciling items **	(87)	(96)	(9%)
<b>Total</b>	<b>4 776</b>	<b>3 816</b>	<b>25%</b>

\*\* "Reconciling items" comprise reclassification adjustments in respect of voucher and staff discounts and notional interest.

34. **Post-balance sheet events**

No event material to the understanding of these financial statements has occurred between the end of the financial period and date of approval.

## COMPANY ANNUAL FINANCIAL STATEMENTS

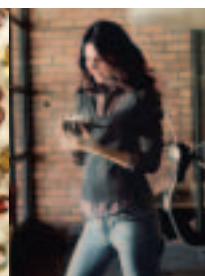


### TRUWORTHS INTERNATIONAL LIMITED ANNUAL FINANCIAL STATEMENTS

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## COMPANY BALANCE SHEETS – at 24 June



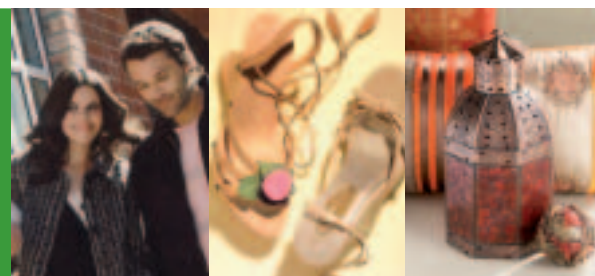
	Note	2007 Rm	2006 Rm
<b>Assets</b>			
<b>Non-current assets</b>		<b>16 228</b>	9 924
Available-for-sale financial assets	2	16 228	9 924
<b>Current assets</b>		<b>473</b>	303
Financial assets	3	466	298
Cash and cash equivalents	4	7	5
<b>Total assets</b>		<b>16 701</b>	10 227
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital and premium	5, 6	36	14
Non-distributable reserve	7	14 797	9 809
Retained earnings		47	47
<b>Total equity</b>		<b>14 880</b>	9 870
<b>Current liabilities</b>		<b>1 821</b>	357
Trade and other payables	8	1 821	354
Tax payable	12	-	3
<b>Total liabilities</b>		<b>1 821</b>	357
<b>Total equity and liabilities</b>		<b>16 701</b>	10 227

## COMPANY INCOME STATEMENTS – for the period ended 24 June



	Note	2007 Rm	2006 Rm
<b>Revenue</b>	10	<b>489</b>	408
Trading expenses		(1)	(3)
Other income	11.1	2	2
Employment costs	11.2	(1)	(1)
Other operating costs	11.3	(2)	(4)
<b>Trading loss</b>		<b>(1)</b>	(3)
Dividends received	10	487	406
<b>Profit before tax</b>		<b>486</b>	403
Tax expense	12.1	-	(3)
<b>Profit for the period</b>		<b>486</b>	400

COMPANY STATEMENTS OF CHANGES IN EQUITY –  
for the period ended 24 June



	Note	Share capital and premium Rm	Non-distributable reserve Rm	Retained earnings Rm	Total equity Rm
<b>2006</b>					
Balance at beginning of period as previously reported		197	9	42	248
Change in accounting policy for shares in subsidiaries	17.1	–	8 369	–	8 369
Balance at beginning of period restated		197	8 378	42	8 617
Profit for the period		–	–	400	400
<b>Total recognised income and expense for the period</b>		–	–	400	400
Dividends	13	–	–	(395)	(395)
Premium on shares issued	6	17	–	–	17
Shares repurchased and cancelled	6	(200)	–	–	(200)
Revaluation of subsidiaries	7	–	1 425	–	1 425
Share option expense	25.6.1 *	–	6	–	6
<b>Balance at end of period restated</b>		<b>14</b>	<b>9 809</b>	<b>47</b>	<b>9 870</b>
<b>2007</b>					
Balance at beginning of period restated		<b>14</b>	<b>9 809</b>	<b>47</b>	<b>9 870</b>
Profit for the period		–	–	486	486
<b>Total recognised income and expense for the period</b>		–	–	486	486
Dividends	13	–	–	(486)	(486)
Premium on shares issued	6	22	–	–	22
Revaluation of subsidiaries	7	–	6 298	–	6 298
Costs incurred in the cancellation of shares	7	–	(3)	–	(3)
Shares purchased and cancelled	7	–	(1 311)	–	(1 311)
Share option expense	25.6.1 *	–	4	–	4
<b>Balance at end of period</b>		<b>36</b>	<b>14 797</b>	<b>47</b>	<b>14 880</b>

\* Per notes to the Group annual financial statements

## COMPANY CASH FLOW STATEMENTS – for the period ended 24 June



	Note	2007 Rm	2006 Rm
<b>Cash flows from operating activities</b>			
Cash outflow from trading	14.1	(1)	(3)
Dividends received	14.1	487	406
<b>Cash EBITDA*</b>		<b>486</b>	<b>403</b>
Working capital movements	14.2	1	1
<b>Cash inflow from operations</b>		<b>487</b>	<b>404</b>
Tax paid	14.3	(3)	–
Dividends paid	14.4	(486)	(395)
<b>Net cash (used in)/from operating activities</b>		<b>(2)</b>	<b>9</b>
<b>Cash flows from investing activities</b>			
Loans advanced to subsidiaries		(203)	(160)
Loans repaid by subsidiaries		35	–
Increase in investments in subsidiaries		(2)	(15)
<b>Net cash used in investing activities</b>		<b>(170)</b>	<b>(175)</b>
<b>Cash flows from financing activities</b>			
Proceeds on shares issued	6	22	17
Loans advanced by subsidiaries		155	348
Shares repurchased and cancelled	6	–	(200)
Costs incurred in cancelling shares	7	(3)	–
<b>Net cash from financing activities</b>		<b>174</b>	<b>165</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2</b>	<b>(1)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>5</b>	<b>6</b>
<b>Cash and cash equivalents at the end of the period</b>	4	<b>7</b>	<b>5</b>

\* Earnings before interest, tax, depreciation and amortisation

## NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS



	2007	2006
	Rm	Rm
<b>2. Available-for-sale financial assets</b>		
Shares in Truworths Limited	15 854	9 800
Shares in Young Designers Emporium (Pty) Limited	104	104
Shares in Uzzi (Pty) Limited	70	-
Shares in Truworths Investments (Pty) Limited	134	20
Shares in Truworths Investments Two (Pty) Limited	66	-
Shares in Truworths Investments Three (Pty) Limited	-	-
<b>Total</b>	<b>16 228</b>	<b>9 924</b>

A detailed listing of all subsidiaries is contained in annexure one.

In the current period the company changed its accounting policy in respect of the accounting for shares in subsidiaries. (Refer note 17)

### 3. Financial assets

#### Loans and receivables

Balance at the beginning of the period	298	138
Advances during the period	203	160
Repayments during the period	(35)	-
<b>Balance at the end of the period</b>	<b>466</b>	<b>298</b>

The balance at the end of the period comprises amounts owing by:

Young Designers Emporium (Pty) Limited	17	47
Truworths Investments (Pty) Limited	131	131
Truworths Investments Two (Pty) Limited	196	120
Truworths Investments Three (Pty) Limited	92	-
Uzzi (Pty) Limited	30	-
<b>Total</b>	<b>466</b>	<b>298</b>

The amounts owing are unsecured, interest-free and repayable on demand. The fair value of the loans approximates their carrying amount.

There were no material guarantees provided or received in respect of subsidiaries. The company has not made any impairment provision relating to amounts owed by subsidiaries as such amounts are considered to be fully recoverable.

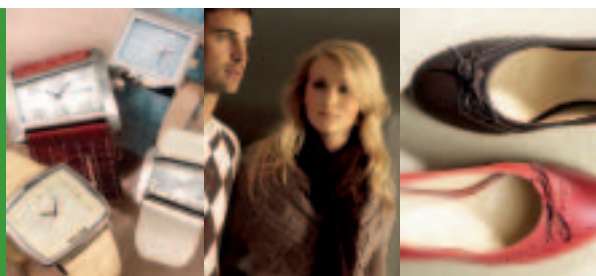
### 4. Cash and cash equivalents

Balances with banks	7	5
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All cash is invested in overnight call accounts, and available for immediate withdrawal.

For further details on how interest rates in terms of cash and cash equivalents are managed refer to note 9.2.

# NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS



## 5. Share capital

### Ordinary share capital

#### Authorised

650 000 000 (2006: 650 000 000) ordinary shares of 0.015 cent each

2007	2006
Rm	Rm

—*	—*
----	----

#### Issued and fully paid

450 773 051 (2006: 482 915 041) ordinary shares of 0.015 cent each

—*	—*
----	----

The company has one class of ordinary shares which carry no rights to fixed income.

\* Reflected as zero, due to rounding. Issued share capital is R67 616 (2006: R72 437)

### Reconciliation of movement in issued shares

Balance at the beginning of the period

Shares issued

Shares repurchased and cancelled

Balance at the end of the period

Number of shares	Number of shares
000's	000's
482 915	487 240
4 073	2 874
(36 215)	(7 199)
450 773	482 915

The shares issued during the period were allotted for an aggregate nominal value of R611 (2006: R431) and an aggregate subscription price before expenses of R22 616 204 (2006: R17 071 103). In terms of a shareholders' resolution passed on 9 November 2006, the directors have until the next annual general meeting a general authority, which is limited to 10% of the company's issued shares, to issue or use as the case may be, the unissued and treasury shares of the company. This authority is subject to the provisions of the Companies Act and the Listings Requirements of the JSE Limited.

## 6. Share premium

Balance at the beginning of the period

Premium on shares issued

Shares repurchased and cancelled

Balance at the end of the period

Rm	Rm
----	----

14	197
----	-----

22	17
----	----

—	(200)
---	-------

36	14
----	----

## NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS



### 7. **Non-distributable reserves**

	2007	2006
	Rm	Rm
Equity-settled compensation reserve	19	15
Revaluation reserve	14 778	9 794
Balance at the end of the period	14 797	9 809
<b>Reconciliation of equity-settled compensation reserve</b>		
Balance at the beginning of the period	15	9
Equity-settled share-based payment expense (refer note 24.3)*	4	6
Balance at the end of the period	19	15
<b>Reconciliation of revaluation reserve</b>		
Balance at the beginning of the period	9 794	8 369
Revaluation of subsidiaries	6 298	1 425
Shares repurchased and cancelled	(1 311)	-
Costs incurred on the cancellation of shares	(3)	-
Balance at the end of the period	14 778	9 794

The company changed its accounting policy during the period and now carries its investments in subsidiaries at fair value, having previously reflected these at cost (refer to accounting policy note 1.9 and note 9.5 for valuation method). The surplus arising from this change has been credited to a non-distributable revaluation reserve in the company's statement of changes in equity. During February 2007 the company entered into a transaction where 36.2 million of the company's shares previously repurchased by a subsidiary and held as treasury shares for Group purposes were purchased at their market value and cancelled, in order to restore the treasury share buy-back capacity of the Group. The revaluation reserve was utilised for the purposes of this transaction. The share buy-back transaction was a non-cash transaction and the only cash outflow arose from the associated transaction costs incurred.

\* Per notes to the Group annual financial statements

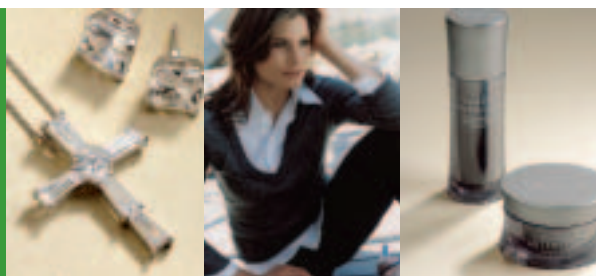
### 8. **Trade and other payables**

Shareholders for dividends	1	1
Other payables and accrued expenses	2	1
Amount owing to Truworths Limited	1 818	352
Total trade and other payables	1 821	354

Other payables and accrued expenses are non-interest-bearing and are normally settled within 30 days.

The amount owing to Truworths Limited is unsecured, interest-free and repayable on demand.

The directors consider the carrying amounts of all trade and other payables to approximate their fair value.



9. **Financial risk management**

The main risks arising from the company's financial instruments are treasury, liquidity, fair value and credit risk.

9.1 **Treasury risk**

The board, acting on the recommendation of the investment committee, oversees the management of the financial risks and treasury function relating to the company's operations. It has developed a comprehensive treasury policy and process to monitor and control these risks. For further information refer note 22.1 in the Group annual financial statements.

9.2 **Interest rate risk**

The company is exposed to interest rate risk on its cash on hand. The interest rate and maturity profile are summarised as below:

	Period-end interest rate	Maturity profile < 3 months
	%	Rm
<b>Period ended June 2007</b>		
<i>Floating rate</i>		
Cash on hand	7.0	7
<b>Period ended June 2006</b>		
<i>Floating rate</i>		
Cash on hand	5.5	5

9.3 **Liquidity risk**

In terms of the company's articles of association, its borrowing powers are unlimited. The company has no unutilised domestic overdraft banking facilities in place, but has adequate assets available to utilise its gearing potential to mitigate the risk of repaying the loan to Truworths Limited when repayment is demanded.

9.4 **Credit risk**

The company's exposure to credit risk relates primarily to short-term cash investments and loans receivable from subsidiaries. The company manages the exposure on short-term cash investments by investing surplus cash with F1 + and approved F1 rated financial institutions only. The exposure on the loans receivable from the subsidiaries is mitigated by the fact that the fair value of subsidiaries' assets indicate that they will be in a position to repay these loans.

9.5 **Fair value of financial instruments**

All financial instruments have been recognised in the balance sheet and there is no material difference between their fair values and carrying amounts. The following methods and assumptions were used by the company in establishing fair values:

*Financial assets and liabilities*

Carrying amounts reported in the balance sheet approximate fair values. The fair value of the financial instruments as at 24 June 2007 have been determined using available market information and appropriate valuation methodologies.

*Available-for-sale assets*

Shares in subsidiaries are classified as available-for-sale assets and measured at fair value. The relevant valuation techniques to determine the fair value of each investment in the relevant subsidiaries, are summarised below:

**Subsidiary**

Truworths Limited

Young Designers Emporium (Pty) Limited

Uzzi (Pty) Limited

Truworths Investments (Pty) Limited

Truworths Investments Two (Pty) Limited

Truworths Investments Three (Pty) Limited

**Valuation technique**

Relative company profit performance and Group market capitalisation, corroborated by an independent valuation using discounted cash flow methodology

Recent arm's length acquisition with an independent party

Recent arm's length acquisition with an independent party

Net asset value

Net asset value

Net asset value

# NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS



	2007	2006
	Rm	Rm
<b>10. Revenue</b>		
Dividends received	487	406
Management fees received	2	2
<b>Total</b>	<b>489</b>	<b>408</b>

**11. Trading profit**  
Trading profit is stated after taking account of the following items:

<b>11.1 Other income</b>		
Management fees	2	2
<b>11.2 Employment costs</b>		
Directors' fees	1	1
<b>11.3 Other operating costs</b>		
Management, administrative and secretarial fees paid	2	4

**12. Tax expense**

<b>12.1 Current period tax charge</b>		
Secondary tax on companies	-	3

The company has lodged its income tax return for the 2006 tax year. The most recent income tax assessment issued by the South African Revenue Service to the company was in respect of the 2005 tax year.

<b>12.2 Reconciliation of effective tax rate</b>			
South African normal tax rate	(%)	29.0	29.0
Increase in rate of tax due to:			
Disallowable expenditure	(%)	-	0.1
Secondary tax on companies	(%)	-	0.7
Prior period adjustments	(%)	-	0.1
Decrease in rate of tax due to:			
Exempt income	(%)	(29.0)	(29.2)
<b>Effective tax rate</b>	(%)	<b>0.0</b>	<b>0.7</b>

**13. Dividends paid and proposed**

**Final dividend – 2005**

Cash dividend of 37.0 cents per share declared on 18 August 2005 and paid on 12 September 2005.

**Interim dividend – 2006**

Cash dividend of 44.0 cents per share declared on 22 February 2006 and paid on 20 March 2006.

**Final dividend – 2006**

Cash dividend of 45.0 cents per share declared on 24 August 2006 and paid on 18 September 2006.

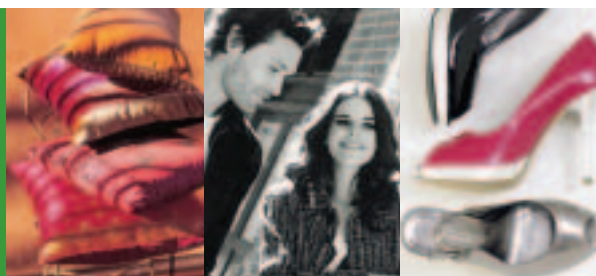
**Interim dividend – 2007**

Cash dividend of 60.0 cents per share declared on 14 February 2007 and paid on 12 March 2007.

<b>Total</b>	<b>486</b>	<b>395</b>
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The final dividend for the period ended 24 June 2007 of 60.0 cents per share was declared on 23 August 2007 to shareholders registered on the record date of 14 September 2007, is payable on 17 September 2007.

# NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS



	2007	2006
	Rm	Rm
<b>14. Notes to the company cash flow statements</b>		
<b>14.1 Cash flow from trading</b>		
Profit before tax	486	403
Dividends received	(487)	(406)
Net outflow	(1)	(3)
<b>14.2 Working capital movements</b>		
Increase in trade and other payables	1	1
Net inflow	1	1
<b>14.3 Tax paid</b>		
Amounts owing at the beginning of the period	(3)	-
Amounts charged to the income statement		
Secondary tax on companies	-	(3)
Amounts owing at the end of the period	-	3
Net outflow	(3)	-
<b>14.4 Dividends paid</b>		
Amounts owing at the beginning of the period	(1)	(1)
Amounts charged to the statement of changes in equity	(486)	(395)
Amounts owing at the end of the period	1	1
Net outflow	(486)	(395)

## 15. Related party disclosures

### Shareholders

The company's shares are widely held principally by public shareholders. The major shareholders of the company are provided in the annual report on pages 188 and 189.

During the period the company and its subsidiaries, in the ordinary course of business, entered into various transactions with each other. These transactions occurred under terms that are no less favourable than those arranged with third parties. Details of loan balances with and interests in subsidiaries are disclosed in notes 2, 3, 8 and annexure one.

Related party transactions during the period were as follows:

### Parent company

#### Truworths International Limited (TI)

Management fees received from TW  
Dividend received from TW  
Dividend received from TW Inv  
Dividend received from TW Inv 2

2	2
472	400
8	4
6	2

### Subsidiaries

#### Truworths Limited (TW)

Management fees paid to TI  
Dividend received from TI

2	2
16	29

#### Truworths Investments (Pty) Limited (TW Inv)

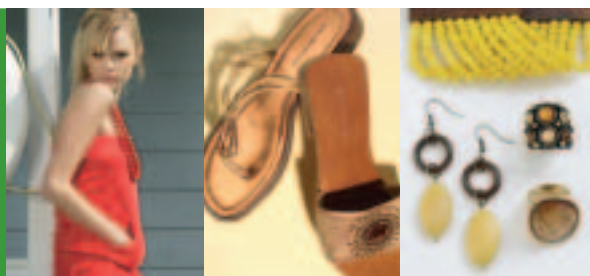
Dividend received from TI

8	4
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#### Truworths Investments Two (Pty) Limited (TW Inv 2)

Dividend received from TI

6	2
---	---



## 15. Related party disclosures (continued)

### Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling activities, directly or indirectly, including any director of that entity. Details relating to executive and non-executive directors' emoluments, and shareholdings (including options) in the company, are disclosed in note 25.1, 25.2 of the Group annual financial statements and annexure two.

### Interest of directors in contracts

No directors have a material interest in any transaction with the company or any of its subsidiaries.

### Other related parties

The company has also identified the Truworths International Share Trust as a related party. No financial benefits are derived by the company from this relationship, rather the trust facilitates and administers the company equity-settled share scheme, and arranges for the grant of options over the company's shares to Group employees.

For further details on other related party transactions, refer to note 29 of the Group annual financial statements.

## 16. Business combination

On 3 July 2006, the company acquired 51% of the share capital of and shareholders' loan claim against Uzzi (Pty) Limited, a newly formed company. On this date this company acquired from Uzzi Clothing (Cape) (Pty) Limited, the Uzzi business which specialises in the retail sale of upper end men's fashion clothing, as a going concern.

For further information on the business combination refer to note 31 of the Group annual financial statements.

## 17. Comparative figures

Comparative figures have been restated as a result of the following:

### 17.1 Change in accounting policy

The company has changed its accounting policy in respect of IAS 27, 'Consolidated and Separate Financial Statements', from accounting for shares in subsidiaries at cost to accounting for such shares at fair value in accordance with IAS 39, 'Financial Instruments: Recognition and Measurement'. The company has classified its shares in subsidiaries as available-for-sale financial assets.

The adjustments arising from the change in accounting policy are as follows:

Shares in subsidiaries (refer note 2)

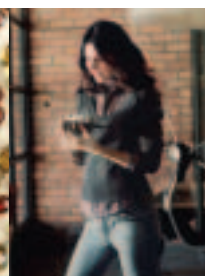
Non-distributable reserve (refer note 7)

2007	2006	2005
Rm	Rm	Rm
6 298	1 425	8 369
(6 298)	(1 425)	(8 369)

### 17.2 Classification changes

The company has reclassified a prior period amount of R2 million from other operating expenses to revenue to allow for a more accurate comparison between current and prior period amounts (refer note 10).

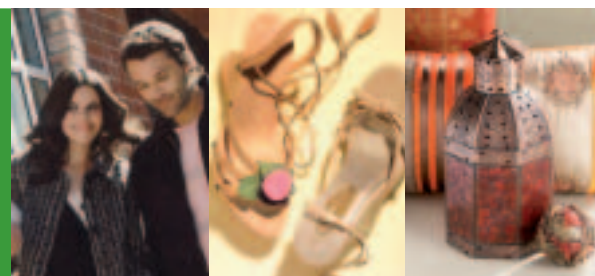
## ANNEXURE ONE – Details of subsidiary companies



	Main business	Ordinary share capital premium		Percentage held (effective interest)		Book value of shares		Amounts owing by/(to) subsidiaries (refer note 3 & 8)	
		2007	2006	2007	2006	2007	2006	2007	2006
				%	%	Rm	Rm	Rm	Rm
<b>DIRECT SUBSIDIARY COMPANIES</b>									
<b>All (Pty) Limited companies unless otherwise stated</b>									
<b>Incorporated in South Africa</b>									
	R	R23 883 152	R23 883 152	100.0	100.0	15 854	9 800	(1 818)	(352)
	C	R200	R200	100.0	100.0	104	104	17	47
	R	R100		51.0		70		30	
	D	R2	R2	100.0	100.0				
	D	R60	R60	100.0	100.0				
	E	n/a	n/a	100.0	100.0	n/a	n/a		
	I	R120	R120	100.0	100.0	134	20	131	131
	I	R120	R120	100.0	100.0	66		196	120
	I	R120		100.0				92	
	I	R120		100.0					
<b>Incorporated in Guernsey</b>									
	I	n/a	n/a	100.0	100.0	n/a	n/a		
	I	US\$5 386 039	US\$5 386 039	100.0	100.0				
<b>INDIRECT SUBSIDIARY COMPANIES</b>									
<b>All (Pty) Limited companies unless otherwise stated</b>									
<b>Incorporated in South Africa</b>									
	D	R2	R2	100.0	100.0				
	D	R200	R200	100.0	100.0				
	D	R100	R100	100.0	100.0				
	C	R2	R2	100.0	100.0				
	D	R12 000	R12 000	100.0	100.0				
	D	R1	R1	100.0	100.0				
	D	R2	R2	100.0	100.0				
	S	R5 920 950	R5 920 950	100.0	100.0	14	15		
<b>Incorporated in Namibia</b>									
	R	N\$14	N\$14	100.0	100.0				
<b>Incorporated in Swaziland</b>									
	R	E40 000	E40 000	100.0	100.0				
<b>Incorporated in Lesotho</b>									
	D	M2	M2	100.0	100.0				
<b>Incorporated in Zambia</b>									
	D	K50 000	K50 000	100.0	100.0				
<b>Incorporated in Australia</b>									
	I	Au\$23 405 000	Au\$23 405 000	100.0	100.0				
	I	Au\$8 350 008	Au\$8 350 008	100.0	100.0				
	D	Au\$7 613 643	Au\$7 613 643	100.0	100.0				
<b>Incorporated in the Isle of Man</b>									
	IP	US\$3	US\$3	100.0	100.0				

C = Commission agent, D = Dormant, E = Employee incentive scheme, I = Investment holding, IP = Intellectual property holding, R = Retailing, S = Share block scheme

## ANNEXURE TWO – Details of directors' holdings of shares and options



	2007			2006		
	Shares	Options	Total	Shares	Options	Total
	000's	000's	000's	000's	000's	000's
<b>1. Directors' holdings of shares and equity-settled share options</b>						
<b>In aggregate</b>						
Balance at the beginning of the period	8 243	5 797	14 040	8 146	6 141	14 287
Options exercised	–	(144)	(144)	–	(344)	(344)
Share movements during the period	(926)	–	(926)	97	–	97
Balance at the end of the period	7 317	5 653	12 970	8 243	5 797	14 040

### By director

The direct and indirect interest of each of the directors in the company's shares, all of which are held beneficially, and only some of which are held pursuant to the equity-settled share incentive scheme, are as follows:

	2007			2006		
	Shares	Options	Total	Shares	Options	Total
	000's	000's	000's	000's	000's	000's
<b>Executive directors</b>	<b>6 781</b>	<b>5 573</b>	<b>12 354</b>	<b>7 703</b>	<b>5 717</b>	<b>13 420</b>
Michael Mark	5 985	5 503	11 488	6 440	5 503	11 943
Tony Taylor	446	10	456	845	10	855
Wayne van der Merwe	350	60	410	418	204	622
<b>Non-executive directors</b>	<b>536</b>	<b>80</b>	<b>616</b>	<b>540</b>	<b>80</b>	<b>620</b>
Thandi Ndlovu	–	30	30	–	30	30
Edward Parfett	516	–	516	520	–	520
Hilton Saven	–	50	50	–	50	50
Mike Thompson	20	–	20	20	–	20
Balance at the end of the period	7 317	5 653	12 970	8 243	5 797	14 040
Comprising:						
Direct interest	955	5 653	6 608	1 422	5 797	7 219
Indirect interest	6 362	–	6 362	6 821	–	6 821
	7 317	5 653	12 970	8 243	5 797	14 040

There have been no changes to these interests between the end of the financial period and the date of the directors' report.

It is Group policy that all directors and officers, as well as those employees who have access to price sensitive information, should not deal in company shares, or receive or exercise share options of the company for the periods from end-December to 24 hours after publication of the interim results and from end-June to 24 hours after publication of the annual results.

## ANNEXURE TWO – Details of directors' holdings of shares and options



### 2. Details of directors' equity-settled share options in the aggregate:

The options become releasable between the following dates and at the following subscription prices:

#### Balance at the beginning of the period

Between 27 November 2001 and 27 November 2005	3.66	3 225	3 225
Between 26 October 2002 and 26 October 2006	5.33	30	30
Between 25 March 2003 and 25 March 2007	4.54	340	366
Between 7 November 2003 and 7 November 2007	5.74	900	1 098
Between 13 March 2004 and 13 March 2008	5.82	570	650
Between 6 November 2004 and 6 November 2008	8.52	482	482
Between 29 November 2005 and 29 November 2009	15.57	250	290

#### Options exercised

Between 27 November 2001 and 27 November 2005	3.66	(112)	–
Between 25 March 2003 and 25 March 2007	4.54	–	(26)
Between 7 November 2003 and 7 November 2007	5.74	–	(198)
Between 13 March 2004 and 13 March 2008	5.82	–	(80)
Between 6 November 2004 and 6 November 2008	8.52	(16)	–
Between 29 November 2005 and 29 November 2009	15.57	(16)	(40)

#### Balance at the end of the period

Between 27 November 2001 and 27 November 2005	3.66	3 113	3 225
Between 26 October 2002 and 26 October 2006	5.33	30	30
Between 25 March 2003 and 25 March 2007	4.54	340	340
Between 7 November 2003 and 7 November 2007	5.74	900	900
Between 13 March 2004 and 13 March 2008	5.82	570	570
Between 6 November 2004 and 6 November 2008	8.52	466	482
Between 29 November 2005 and 29 November 2009	15.57	234	250

	2007	2006
Subscription price	Number of options	Number of options
R	000's	000's
	<b>5 797</b>	6 141
	<b>3 225</b>	3 225
	<b>30</b>	30
	<b>340</b>	366
	<b>900</b>	1 098
	<b>570</b>	650
	<b>482</b>	482
	<b>250</b>	290
	<b>(144)</b>	(344)
	<b>(112)</b>	–
	<b>–</b>	(26)
	<b>–</b>	(198)
	<b>–</b>	(80)
	<b>(16)</b>	–
	<b>(16)</b>	(40)
	<b>5 653</b>	5 797
	<b>3 113</b>	3 225
	<b>30</b>	30
	<b>340</b>	340
	<b>900</b>	900
	<b>570</b>	570
	<b>466</b>	482
	<b>234</b>	250

## ANNEXURE TWO – Details of directors' holdings of shares and options



Date ownership passes	Exercise date	Subscription price	Market price on date ownership passes	Number of options previously exercised	Number of options	Vesting dates
		R	R	000's	000's	
<b>3. Details of directors' equity-settled share options per director: 2007</b>						
<b>Executive directors</b>						
<b>Michael Mark</b>						
<b>Balance at the beginning and end of the period</b>					<b>5 503</b>	
		3.66			<b>3 113</b>	Between 27 November 2001 and 27 November 2004
		4.54			<b>340</b>	Between 25 March 2003 and 25 March 2007
		5.74			<b>900</b>	Between 7 November 2003 and 7 November 2007
		5.82			<b>550</b>	Between 13 March 2004 and 13 March 2008
		8.52			<b>400</b>	Between 6 November 2004 and 6 November 2008
		15.57			<b>200</b>	Between 29 November 2005 and 29 November 2009
<b>Tony Taylor</b>						
<b>Balance at the beginning of the period</b>					<b>10</b>	
		15.57			<b>10</b>	Between 29 November 2005 and 29 November 2009
EPOPC	25/3/07	1/12/03	4.54	35.91	(14)	
EPOPC	13/3/07	1/12/03	5.82	33.63	(20)	
EPOPC	7/11/06	22/5/05	5.74	27.16	(50)	
<b>Balance at the end of the period</b>					<b>10</b>	
		15.57			<b>10</b>	Between 29 November 2005 and 29 November 2009
<b>Wayne van der Merwe</b>						
<b>Balance at the beginning of the period</b>					<b>204</b>	
		3.66			<b>112</b>	Between 27 November 2001 and 27 November 2005
		5.82			<b>20</b>	Between 13 March 2004 and 13 March 2008
		8.52			<b>32</b>	Between 6 November 2004 and 6 November 2008
		15.57			<b>40</b>	Between 29 November 2005 and 29 November 2009
EPOPC	4/10/06	23/3/05	5.02	23.92	(26)	
EPOPC	25/3/07	9/3/06	4.54	35.91	(12)	
EPOPC	7/11/06	9/3/06	5.74	27.16	(24)	
EPOPC	13/3/07	9/3/06	5.82	33.63	(20)	
ESC	11/12/06	11/12/06	3.66	30.00		<b>(75)</b>
ESC	2/5/07	2/5/07	3.66	40.00		<b>(37)</b>
ESC	2/5/07	2/5/07	8.52	40.00		<b>(16)</b>
ESC	2/5/07	2/5/07	15.57	40.00		<b>(16)</b>
<b>Balance at the end of the period</b>					<b>60</b>	
		5.82			<b>20</b>	Between 13 March 2004 and 13 March 2008
		8.52			<b>16</b>	Between 6 November 2004 and 6 November 2008
		15.57			<b>24</b>	Between 29 November 2005 and 29 November 2009
<b>2007</b>						
<b>Non-executive directors</b>						
<b>Thandi Ndlovu</b>						
<b>Balance at the beginning and end of the period</b>					<b>30</b>	
		5.33			<b>30</b>	Between 26 October 2002 and 26 October 2006
<b>Hilton Saven</b>						
<b>Balance at the beginning and end of the period</b>					<b>50</b>	
		8.52			<b>50</b>	Between 6 November 2004 and 6 November 2008

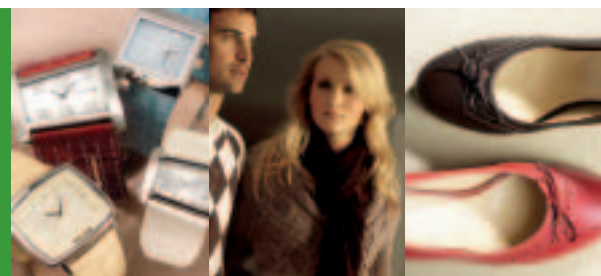
EOPC = Exercised and ownership passes in the current year

ECOPS = Exercised in the current year but ownership passes subsequently

EPOPC = Exercised previously but ownership passes in the current year

ESC = Exercised and sold in the current year

## ANNEXURE TWO – Details of directors' holdings of shares and options



	Date ownership passes	Exercise date	Subscription price	Market price on date ownership passes	Number of options previously exercised	Number of options	Vesting dates
			R	R	000's	000's	
<b>3. Details of directors' equity-settled share options per director (continued): 2006</b>							
<b>Executive directors</b>							
<b>Michael Mark</b>							
<b>Balance at the beginning and end of the period</b>							<b>5 503</b>
			3.66			3 113	Between 27 November 2001 and 27 November 2004
			4.54			340	Between 25 March 2003 and 25 March 2007
			5.74			900	Between 7 November 2003 and 7 November 2007
			5.82			550	Between 13 March 2004 and 13 March 2008
			8.52			400	Between 6 November 2004 and 6 November 2008
			15.57			200	Between 29 November 2005 and 29 November 2009
<b>Tony Taylor</b>							<b>274</b>
<b>Balance at the beginning of the period</b>							
			4.54			14	Between 25 March 2003 and 25 March 2007
			5.74			150	Between 7 November 2003 and 7 November 2007
			5.82			60	Between 13 March 2004 and 13 March 2008
			15.57			50	Between 29 November 2005 and 29 November 2009
EOPC	25/3/05	22/5/06	4.54	24.49		(14)	
EOPC	7/11/05	22/5/06	5.74	24.49		(50)	
ECOPS	7/11/06	22/5/06	5.74			(50)	
ECOPS	7/11/07	22/5/06	5.74			(50)	
ECOPS	13/3/08	22/5/06	5.82			(20)	
EOPC	13/3/05	22/5/06	5.82	24.49		(20)	
EOPC	13/3/06	22/5/06	5.82	24.49		(20)	
EOPC	29/11/05	22/5/06	15.57	24.49		(10)	
ECOPS	29/11/07	22/5/06	15.57		(8)	(10)	
ECOPS	29/11/08	22/5/06	15.57		(186)	(10)	
ECOPS	29/11/09	22/5/06	15.57		(14)	(10)	
EPOPC	28/11/05	28/11/03	8.73	20.26	(8)		
EPOPC	27/11/05	1/12/03	3.66	20.26	(186)		
EPOPC	25/3/06	1/12/03	4.54	28.80	(14)		
<b>Balance at the end of the period</b>							<b>10</b>
			15.57			10	Between 29 November 2005 and 29 November 2009
<b>Wayne van der Merwe</b>							<b>284</b>
<b>Balance at the beginning of the period</b>							
			3.66			112	Between 27 November 2001 and 27 November 2005
			4.54			12	Between 25 March 2003 and 25 March 2007
			5.74			48	Between 7 November 2003 and 7 November 2007
			5.82			40	Between 13 March 2004 and 13 March 2008
			8.52			32	Between 6 November 2004 and 6 November 2008
			15.57			40	Between 29 November 2005 and 29 November 2009
ECOPS	25/3/07	9/3/06	4.54			(12)	
ECOPS	13/3/07	9/3/06	5.82			(20)	
ECOPS	7/11/06	9/3/06	5.74			(24)	
ECOPS	7/11/07	9/3/06	5.74			(24)	
EPOPC	27/11/05	18/10/04	3.66	20.26	(28)		
EPOPC	4/10/05	18/10/04	5.02	20.02	(26)		
EPOPC	7/11/05	18/10/04	5.74	20.40	(24)		
EPOPC	6/11/05	18/10/04	8.52	20.40	(8)		
EPOPC	25/3/06	23/3/05	4.54	28.80	(12)		
EPOPC	13/3/06	23/3/05	5.82	26.00	(20)		
<b>Balance at the end of the period</b>							<b>204</b>
			3.66			112	Between 27 November 2001 and 27 November 2005
			5.82			20	Between 13 March 2004 and 13 March 2008
			8.52			32	Between 6 November 2004 and 6 November 2008
			15.57			40	Between 29 November 2005 and 29 November 2009

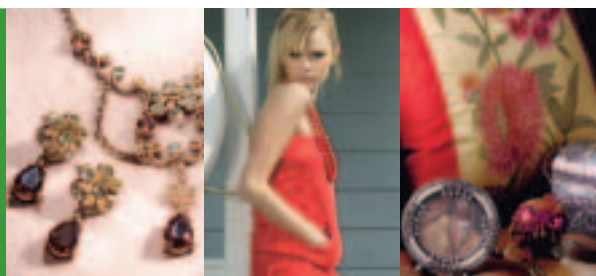
EOPC = Exercised and ownership passes in the current year

ECOPS = Exercised in the current year but ownership passes subsequently

EPOPC = Exercised previously but ownership passes in the current year

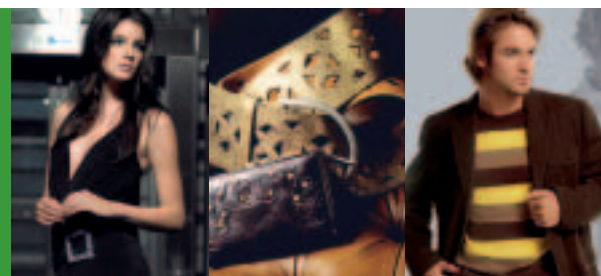
ESC = Exercised and sold in the current year

## ANNEXURE TWO – Details of directors' holdings of shares and options



Date ownership passes	Exercise date	Subscription price	Market price on date ownership passes	Number of options previously exercised	Number of options	Vesting dates
		R	R	000's	000's	
<b>3. Details of directors' equity-settled share options per director (continued): 2006</b>						
<b>Non-executive directors</b>						
<b>Thandi Ndlovu</b>						
Balance at the beginning and end of the period		5.33			30	Between 26 October 2002 and 26 October 2006
<b>Hilton Saven</b>						
Balance at the beginning and end of the period		8.52			50	Between 6 November 2004 and 6 November 2008

## ANNEXURE TWO – Details of directors' holdings of shares and options



### 4. Detailed exercise conditions applicable to equity-settled options held by participants:

Between 26 October 1998 and 26 October 2004
Between 29 October 1998 and 29 October 2003
Between 30 October 1998 and 30 October 2004
Between 18 December 1998 and 18 December 2004
Between 18 December 1998 and 18 December 2003
Between 21 December 1998 and 21 December 2004
Between 26 February 1999 and 26 February 2005
Between 27 November 2000 and 27 November 2005
Between 15 January 2001 and 15 January 2006
Between 11 May 2001 and 11 May 2006
Between 27 August 2001 and 27 August 2006
Between 27 August 2001 and 27 August 2006
Between 4 October 2001 and 4 October 2006
Between 26 October 2001 and 26 October 2006
Between 14 December 2001 and 14 December 2006
Between 28 February 2002 and 28 February 2007
Between 25 March 2002 and 25 March 2007
Between 17 May 2002 and 17 May 2007
Between 23 August 2002 and 23 August 2007
Between 2 September 2002 and 2 September 2007
Between 9 September 2002 and 9 September 2007
Between 7 November 2002 and 7 November 2007
Between 3 March 2003 and 3 March 2008
Between 13 March 2003 and 13 March 2008
Between 2 April 2003 and 2 April 2008
Between 23 April 2003 and 23 April 2008
Between 25 August 2003 and 25 August 2008
Between 25 August 2003 and 25 August 2008
Between 2 September 2003 and 2 September 2008
Between 15 September 2003 and 15 September 2008
Between 16 September 2003 and 16 September 2008
Between 6 November 2003 and 6 November 2008
Between 28 November 2003 and 28 November 2008
Between 3 December 2003 and 3 December 2008
Between 8 December 2003 and 8 December 2008
Between 12 December 2003 and 12 December 2008
Between 23 February 2004 and 23 February 2009
Between 19 April 2004 and 19 April 2009
Between 5 May 2004 and 5 May 2009
Between 5 May 2004 and 5 May 2009
Between 8 June 2004 and 8 June 2009
Between 25 August 2004 and 25 August 2009
Between 3 September 2004 and 3 September 2009
Between 9 September 2004 and 9 September 2009
Between 22 November 2004 and 22 November 2009
Between 29 November 2004 and 29 November 2009
Between 6 December 2004 and 6 December 2009
Between 1 March 2005 and 1 March 2010
Between 1 March 2005 and 1 March 2010

Subscription price	2007	2006
R	Number	Number
	000's	000's
2.28	–	406
2.28	20	80
2.28	220	236
2.28	71	78
2.93	3	–
2.28	26	23
3.16	96	456
3.66	4 821	6 089
4.49	5	9
4.38	8	8
5.32	–	2
5.72	19	31
5.02	236	279
5.33	30	30
5.00	462	918
4.70	4	4
4.54	547	611
5.40	500	500
5.74	60	69
5.88	5	5
5.96	20	20
5.74	1 987	2 406
6.27	7	18
5.82	1 459	1 622
5.77	9	17
6.22	32	32
7.08	8	13
7.92	11	16
8.00	12	19
7.63	13	26
7.83	6	9
8.52	626	652
8.73	25	25
8.73	619	859
8.73	172	258
8.73	9	14
9.32	16	25
10.27	–	12
10.25	11	15
10.26	13	19
9.74	18	18
10.57	61	64
10.63	11	15
11.42	9	15
15.65	242	353
15.57	1 247	1 554
16.32	11	11
17.44	12	28
17.58	30	40

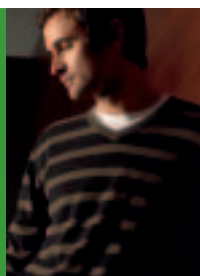
## ANNEXURE TWO – Details of directors' holdings of shares and options



### 4. Detailed exercise conditions applicable to equity-settled options held by participants (continued):

Subscription	2007	2006	
price	Number	Number	
R	000's	000's	
Between 8 March 2005 and 8 March 2010	17.54	9	9
Between 18 March 2005 and 18 March 2010	16.66	5	7
Between 30 March 2005 and 30 March 2010	17.09	8	8
Between 11 April 2005 and 11 April 2010	16.02	6	11
Between 11 April 2005 and 11 April 2010	16.04	7	9
Between 18 April 2005 and 18 April 2010	16.13	–	9
Between 4 May 2005 and 4 May 2010	15.96	6	24
Between 12 May 2005 and 12 May 2010	17.44	6	6
Between 13 May 2005 and 13 May 2010	16.78	1	1
Between 18 May 2005 and 18 May 2010	16.78	4	7
Between 27 May 2005 and 27 May 2010	16.86	–	15
Between 1 June 2005 and 1 June 2010	16.78	4	7
Between 2 June 2005 and 2 June 2010	16.76	51	63
Between 9 June 2005 and 9 June 2010	16.90	–	12
Between 9 June 2005 and 9 June 2010	17.51	7	7
Between 15 June 2005 and 15 June 2010	15.65	13	13
Between 2 August 2005 and 2 August 2010	18.65	5	6
Between 22 August 2005 and 22 August 2010	18.67	–	14
Between 23 August 2005 and 23 August 2010	18.73	12	24
Between 27 October 2005 and 27 October 2010	19.17	15	17
Between 2 November 2005 and 2 November 2010	19.03	10	18
Between 18 November 2005 and 18 November 2010	20.38	14	16
Between 22 November 2005 and 22 November 2010	20.51	10	10
Between 24 November 2005 and 24 November 2010	20.46	7	7
Between 15 December 2005 and 15 December 2010	20.94	29	29
Between 24 February 2006 and 24 February 2011	25.99	35	53
Between 9 March 2006 and 9 March 2011	26.26	5	14
Between 16 March 2006 and 16 March 2011	26.26	5	5
Between 21 March 2006 and 21 March 2011	26.82	7	8
Between 3 May 2006 and 3 May 2011	28.13	18	27
Between 1 June 2006 and 1 June 2011	24.95	4	9
Between 28 August 2006 and 28 August 2011	22.42	34	–
Between 28 August 2006 and 28 August 2011	22.91	46	–
Between 27 September 2006 and 27 September 2011	23.13	26	–
Between 3 October 2006 and 3 October 2011	23.50	5	–
Between 5 October 2006 and 5 October 2011	23.84	14	–
Between 10 October 2006 and 10 October 2011	24.31	8	–
Between 1 November 2006 and 1 November 2011	25.73	4	–
Between 2 November 2006 and 2 November 2011	25.75	9	–
Between 16 February 2007 and 16 February 2012	36.46	45	–
Between 24 April 2007 and 24 April 2012	38.21	3	–
Between 25 April 2007 and 25 April 2012	38.19	9	–
Between 24 May 2007 and 24 May 2012	41.51	13	–
Between 8 June 2007 and 6 June 2012	39.32	3	–
Between 14 June 2007 and 14 June 2012	37.02	9	–
Between 14 June 2007 and 14 June 2012	37.96	9	–
Between 23 June 2007 and 23 June 2012	36.33	10	–
		<b>14 379</b>	<b>18 474</b>

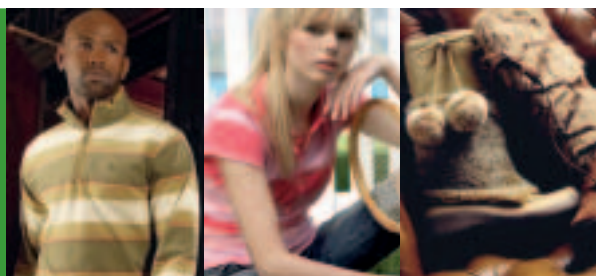
## SHAREHOLDER INFORMATION



### Analysis of holdings of ordinary shares at 24 June 2007

	Number of shareholdings	%	Number of shares	%
<b>Size of holding</b>				
1 – 1 000	1 756	40.6	746 120	0.2
1 001 – 10 000	1 776	41.1	6 097 537	1.3
10 001 – 100 000	564	13.0	18 395 719	4.1
Over 100 000	229	5.3	425 533 675	94.4
<b>Total</b>	<b>4 325</b>	<b>100.0</b>	<b>450 773 051</b>	<b>100.0</b>
<b>Distribution of shareholders</b>				
Companies and close corporations	564	13.0	300 059 718	66.6
Insurance companies	22	0.5	42 404 376	9.4
Pension funds	155	3.6	86 164 065	19.1
Nominees and trusts	704	16.3	12 194 336	2.7
Individuals	2 880	66.6	9 950 556	2.2
<b>Total</b>	<b>4 325</b>	<b>100.0</b>	<b>450 773 051</b>	<b>100.0</b>
<b>Geographical spread of fund managers</b>				
England and Wales	20	0.5	16 582 133	3.7
United States of America	48	1.1	154 917 865	34.4
South Africa	73	1.7	226 406 988	50.2
Other	4 184	96.7	52 866 065	11.7
<b>Total</b>	<b>4 325</b>	<b>100.0</b>	<b>450 773 051</b>	<b>100.0</b>

## SHAREHOLDER INFORMATION



### Shareholder spread at period-end

Pursuant to the Listings Requirements of the JSE Limited and to the best knowledge of the directors, after reasonable enquiry, the spread of shareholders at year-end was as follows:

	2007			2006	
	Number of shareholdings	Number of shares	%	Number of shares	%
<b>Non-public shareholders</b>					
Truworths Limited (treasury shares)	–	–	–	36 214 812	7.5
Truworths Investments (Pty) Limited (treasury shares)	1	7 362 894	1.6	7 362 894	1.5
Truworths Investments Two (Pty) Limited (treasury shares)	1	7 281 150	1.6	5 281 150	1.1
Truworths Investments Three (Pty) Limited (treasury shares)	1	2 500 000	0.6	–	–
Directors of the company and subsidiaries	8	1 676 859	0.4	2 144 978	0.4
Associates of directors of the company and subsidiaries	4	6 363 025	1.4	6 901 881	1.4
Share scheme participants	1	164 851	0.1	182 447	0.1
<b>Total non-public shareholders</b>	<b>16</b>	<b>25 348 779</b>	<b>5.7</b>	<b>58 088 162</b>	<b>12.0</b>
<b>Public shareholders</b>	<b>4 309</b>	<b>425 424 272</b>	<b>94.3</b>	<b>424 826 879</b>	<b>88.0</b>
<b>Total</b>	<b>4 325</b>	<b>450 773 051</b>	<b>100.0</b>	<b>482 915 041</b>	<b>100.0</b>

### Major categories of shareholders

According to the company's register of disclosures of beneficial interests made by registered shareholders acting in a nominee capacity, and the disclosures made by fund managers in terms of section 140A(5) of the Companies Act, the following persons owned in excess of 3% of the company's shares at year-end:

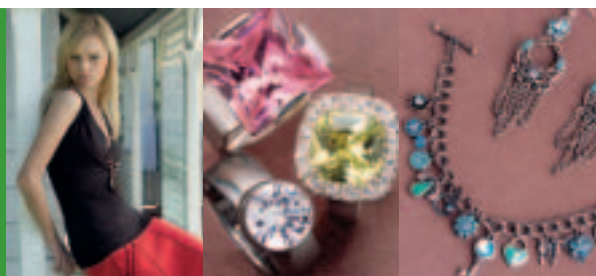
	2007		2006	
	Number of shares	% of issued capital	Number of shares	% of issued capital
State Street Bank & Trust Co (Custodian)	61 087 406	13.6	32 460 599	6.7
J P Morgan Chase (Custodian)	59 887 105	13.3	65 072 543	13.5
Public Investment Corporation	52 783 232	11.7	54 246 021	11.2
Liberty Group	25 321 997	5.6	24 746 769	5.1
Old Mutual Life Assurance Company	24 644 356	5.5	43 126 099	8.9
Truworths Limited	–	–	36 214 812	7.5
Namibian Government Institutions Pension Fund	–	–	14 619 764	3.0

### Major fund managers

According to the disclosures made by nominee and asset management companies in terms of section 140A of the Companies Act, the following fund managers administered portfolios (including those of the major shareowners above) in excess of 3% of the company's shares at year-end:

	2007		2006	
	Number of shares	% of issued capital	Number of shares	% of issued capital
Stanlib Asset Management	44 812 638	9.9	39 123 516	8.1
Public Investment Corporation	33 745 781	7.5	–	–
Old Mutual Investment Group	30 856 342	6.9	101 501 576	21.0
Investec Asset Management	17 471 068	3.9	85 171 881	17.6
Truworths Limited (treasury shares)	–	–	36 214 812	7.5
RMB Asset Management	–	–	16 736 917	3.5

## NOTICE TO MEMBERS



Notice is hereby given that the annual general meeting of members of Truworths International Limited (the company) will be held in the Auditorium, No.1 Mostert Street, Cape Town, South Africa on Thursday, 8 November 2007 at 09:30 for the purpose of conducting the following business:

1. To receive and adopt the company and the Group's audited annual financial statements for the period ended 24 June 2007.
2. To elect directors of the company in accordance with its articles of association which provide that:
  - At least one-third of the directors, being those longest in office at the date of the annual general meeting, should retire, but that such directors may offer themselves for re-election.
  - Any director appointments made by the board since the previous annual general meeting require confirmation.

Dr CT Ndlovu and Messrs MA Thompson and WM van der Merwe are required to retire by rotation at the annual general meeting and, being entitled thereto, have offered themselves for re-election. Voting for the directors seeking re-election will be conducted individually. Mr SM Ngebulana was appointed as a director by the board with effect from 1 May 2007, and his appointment needs to be confirmed by the members. A brief *résumé* of each of these directors follows at the end of this notice.

3. To renew the directors' general authority, which shall be limited in aggregate to 10% of the company's shares in issue at 24 June 2007, over both the unissued shares and the repurchased shares of the company, until the following annual general meeting. This general authority shall include the power to allot or to sell, as the case may be, such shares for cash subject to the provisions of the Companies Act (the Act) and the JSE's Listings Requirements. In particular this resolution, which if passed would constitute a waiver by members of their pre-emptive rights, is subject to not less than 75% of the votes of all members entitled to vote and in attendance or represented at the meeting, being cast in favour, and is further subject to paragraphs 5.52 and 11.22 of such Requirements, which provide as follows:

- such shares may only be issued or sold, as the case may be, to public shareholders as defined in such Requirements, and not to related parties;
- such shares may not in any one financial year in the aggregate exceed 15% of the company's issued shares, the number that may be issued or sold, as the case may be, being determined in accordance with subparagraph 5.52 (c) of such Requirements; and
- the maximum discount at which such shares may be issued or sold, as the case may be, is 10% of the weighted average traded price of such shares on the JSE over the 30 business days preceding the date of determination of the issue or selling price, as the case may be.
- After the company has issued shares in terms of this general authority representing, on cumulative basis within a financial year, 5% or more of the number of shares in issue prior to that issue, the company will publish an announcement containing full details of the issue, including:
  - the number of shares issued;
  - the average discount to the weighted average traded price of the shares over the 30 days prior to the date that the price of the issue was determined or agreed by the directors; and
  - the effects of the issue on the net asset value per share, net tangible asset value per share, earnings per share, headline earnings per share, and diluted earnings and headline earnings per share.

*The reason for proposing this resolution is to authorise the directors to issue the unissued shares of the company and to sell the treasury shares held by subsidiaries, together being limited to 10% of the shares in issue at 24 June 2007, subject to regulatory and statutory limitations, either for cash or in respect of the acquisition of assets, or otherwise.*

*The effect of this resolution, were it to be passed, would be that the directors will have a limited authority to issue the unissued shares of the company and to use the treasury shares held by*

## NOTICE TO MEMBERS



*subsidiaries, subject to the applicable provisions of the JSE Listings Requirements, the Companies Act and the provisions of the resolution.*

4. To consider and if deemed fit to pass, with or without modification, the following as special resolution 1:

“That the company hereby approves, as a general approval contemplated in the Act, the acquisition from time to time, either by the company itself or by its subsidiaries, of the company’s issued shares and including the acquisition by the company of any of its issued shares held by its subsidiaries, upon such terms and conditions and in such amounts as the directors of the company may from time to time decide, subject however to the provisions of the Act and the Listings Requirements of the JSE relating to general repurchases of shares, it being recorded that it is currently required that general repurchases of a company’s shares can be made only if:

- a) the company and its subsidiaries are enabled by their articles to acquire such shares;
- b) the company and its subsidiaries are authorised by their members in terms of special resolutions taken at general meetings, to make such general repurchases, such authorisation being valid only until their next annual general meetings or for 15 months from the date of the special resolutions, whichever period is shorter;
- c) such repurchases are effected through the order book operated by the JSE trading system and without any prior understanding or arrangement between the company and a counterparty, unless the JSE otherwise permits;
- d) such repurchases are limited to a maximum of 20% per financial year of the company’s issued shares of that class at the time the aforementioned authorisation is given, it being noted that in terms of the Act a maximum of 10% in aggregate of the company’s issued shares that may have been repurchased are capable of being held by subsidiaries of the company;
- e) such repurchases are made at a price no greater than 10% above the weighted average market price at which the company’s shares traded on the JSE over the five business days immediately preceding the date on which the transaction is effected;
- f) at any point in time, the company appoints only one agent to effect any repurchase on the company’s behalf;
- g) the company may only undertake such repurchases if thereafter it still complies with the JSE Listings Requirements concerning shareholder spread; and
- h) such repurchases are not effected during prohibited periods as defined by the JSE.”

*The **reason** for this special resolution is to authorise the company or its subsidiaries generally to repurchase the company’s shares by way of bona fide open market transactions on the JSE or otherwise as permitted by the JSE, subject to statutory and regulatory limitations and controls.*

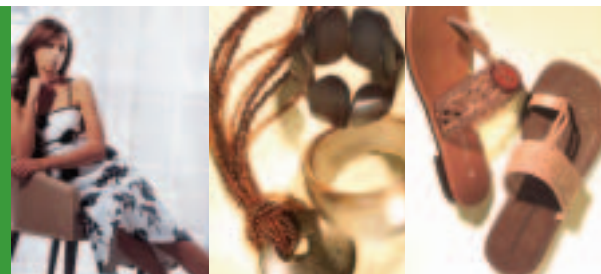
*The **effect** of this special resolution were it to be passed would be that the company and its subsidiaries will have been authorised generally to repurchase the company’s shares by way of bona fide open market transactions on the JSE or otherwise as permitted by the JSE, subject to statutory and regulatory limitations and controls.*

### **Directors’ responsibility statement**

*The directors of the company, whose names are given on pages 22 and 23 of the annual report in which this notice is incorporated, collectively and individually accept full responsibility for the accuracy of the information given in this notice in respect of this resolution, and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that, in respect of this resolution, the notice contains all information required by the JSE Listings Requirements.*

*The other general information referred to in paragraph 11.26 (b) of the Listings Requirements of the JSE regarding the company is contained elsewhere in this annual report, as follows:*

## NOTICE TO MEMBERS



- directors of the company and of its material subsidiary, on pages 22 and 23, and 28 and 29 respectively;
- major shareholders on pages 188 and 189;
- material changes since period-end, on page 168;
- directors' interests in the company's shares, on pages 181 to 187; and
- company's share capital, on pages 174, 188 and 189.

Furthermore, neither the company nor its subsidiaries is involved in any legal or arbitration proceedings, nor are any such proceedings pending or threatened, that may or have had any material effect on the Group's financial position.

Although no such repurchases are currently in contemplation, the general authority to repurchase the company's shares will be effected within the parameters laid down by the JSE as and when the directors of the company deem it to be appropriate. After considering the effect of a general repurchase within these parameters, the directors are of the view that for a period of at least 12 months after the date of the annual general meeting referred to in this notice:

- the company and the Group would in the ordinary course of their business be able to pay their debts;
- the consolidated assets of the company and the Group would exceed the liabilities of the company and the Group, such assets and liabilities being recognised and measured in accordance with the accounting policies used in the financial statements contained in this annual report;
- the issued capital and reserves of the company and the Group would be adequate for the purposes of the company and the Group's business; and
- the company and the Group's working capital would be sufficient for their requirements.

Notes:

- (i) The company will publish an announcement complying with the JSE's Listings Requirements if and when an initial and successive 3% tranche(s) of its shares have been repurchased in terms of the aforementioned general authority.
  - (ii) The company's sponsor will provide a letter to the JSE, regarding the directors' statement as to the adequacy of the Group's working capital, before the company commences any share repurchases in terms of the general authority being hereby sought.
5. To elect independent external auditors in respect of the audit of the Group's annual financial statements for the period ending 29 June 2008.  
  
The Group's current external auditors are Ernst & Young Inc. and the directors recommend that they be reappointed for the ensuing period, and that the terms of their engagement and their fees be determined by the company's Audit Committee.
  6. To approve the fees of the non-executive directors for the year ended 24 June 2007.

During the year fees as detailed in the annual financial statements were paid to the non-executive directors for services rendered as directors, and members are being asked to approve these fees.

### Voting

#### By registered shareowners

Any member of the company registered as such, either as a holder of shares in certificated form or as an "own name" holder of shares in dematerialised (ie electronic) form, may attend, speak and vote at the annual general meeting. Alternatively every such member may appoint a proxy, who need not be a member of the company, to attend the annual general meeting and speak and, on a poll, vote thereat in his/her stead. To this end the enclosed proxy form must be lodged with Computershare Investor Services 2004 (Pty) Limited, the transfer secretaries of the company, at least twenty-four hours before the appointed time of the meeting.

Any juristic person or corporate body registered as a member of the company may either appoint a

## NOTICE TO MEMBERS



representative to attend the annual general meeting and speak and vote thereat on its behalf, or alternatively appoint a proxy bearing in mind that such proxy will only be able to vote on a poll. This entitlement shall be subject to the requirement that proof of such appointment is furnished to the satisfaction of the directors of the company prior to the commencement of the meeting. Such proof can take the form of either a certified copy of a resolution of the juristic person or corporate body or by way of a letter signed by an officer thereof.

### **By non-registered shareowners**

Shareowners, who have dematerialised their company shareholdings, such that these holdings are no longer recorded in their own names in the sub-registers maintained by Central Securities Depository Participants (CSDPs), are not company members as defined. Similarly, shareowners whose shares held in certificate form are registered in the name of nominee companies, are also not company members as defined.

Both such categories of shareowners who wish to attend the company's annual general meeting should

arrange with their CSDPs or brokers to be furnished with the necessary authorisation to do so as the proxy or representative of such CSDPs or brokers.

Both such categories of shareowners, who are either unable or unwilling to attend the annual general meeting, but nonetheless wish to be represented thereat, should provide their CSDPs or brokers with their voting instructions. These instructions should be given in sufficient time, and in accordance with the agreement between them, to enable the CSDPs, or brokers to lodge appropriate forms of proxy or appoint suitable representatives for the meeting in accordance with such instructions.

By order of the board

**Chris Durham**  
**Chartered Secretary**  
*Company Secretary*

23 August 2007

Cape Town

## DIRECTORS' RÉSUMÉS



### Directors standing for re-election

**Cynthia Thandi Ndlovu** (52) BSc, MBChB, Diploma Company Direction  
*Independent non-executive director*

Thandi Ndlovu has been an independent non-executive director of the company since 2001.

She is a medical doctor by training. Ten years ago she founded the Motheo Construction Group, a business involved in affordable housing and general construction projects throughout South Africa.

Thandi has wide experience in business. She is the executive chairman of the Motheo Group and serves on various other company boards. Dr Ndlovu is the Chairman of the South African Wine Industry Trust (SAWIT), serves on the Councils of the Private Security Industry Regulatory Council (PSIRA) and the Playhouse Company of KwaZulu-Natal, is director on the boards of South African Women in Construction (SAWIC) and was recently appointed chairman of the JSE AltX listed company, IFCA Technologies Limited.

**Wayne Martin van der Merwe** (49) BCom, B Acc Sc (Hons), CA(SA)  
*Group financial director*

Wayne van der Merwe has been the Finance Director of Truworths since January 1999 and Group Financial Director since August 2002 when he was appointed to the Truworths International board. He serves as director of numerous entities including Young Designers Emporium (Pty) Limited, Uzzi (Pty) Limited, Truworths (Namibia) Limited and Truworths (Swaziland) Limited and a non-executive director of Truworths Limited (Zimbabwe). He is also a trustee of the Truworths Chairman's Foundation, the Truworths Social Involvement Trust and the Truworths Community Foundation. Wayne is chairman of the Group's HIV/AIDS Committee, Social Responsibility Committee and Tender and Contracts Committee, and a member of the Risk Committee.

**Michael Anthony Thompson** (64) BCom, MBA, AMP (Harvard)  
*Independent non-executive director*

*Chairman of the Truworths International Limited Audit Committee and Trustee of the Truworths International Limited Share Trust*

Michael Thompson, a retired banking executive and business consultant, whose career has focused on the banking and investment industry, was appointed to the Truworths International board as an independent non-executive director with effect from 1 March 2004. Since May 2004 he has been the chairman of the company's Audit Committee. Michael is also a member of the Group's Risk Committee.

He currently serves as chairman of the Siyasanga Cape Town Theatre Company and SA Select Property Investments Limited. Michael is a member of the University of Cape Town Council; chairman of its Building and Development Committee, a member of its Graduate School of Business Board of Advisors, and a director of Artscape.

He is a member of the KPMG/Institute of Directors' Audit Committee Forum, a board member of Accelerate Cape Town (Pty) Limited, and chairman of the audit committee of the Cape Town International Convention Centre.

### New director appointment

**Sisa Michael Ngebulana** (41) B Juris, CEA (SA), LLB, LL.M., Attorney of the High Court  
*Independent non-executive director*

Sisa Ngebulana, founder and executive chairman of Billion Group (Pty) Limited, was appointed to the Truworths International board in May 2007 as an independent non-executive director. Billion Group (Pty) Limited is an upmarket commercial and retail property development corporation. Sisa has also had business exposure to coal mining, truck rental, security, event management and catering. He is a director of numerous companies, including Attfund Limited, Hemingway Shopping Centre (Pty) Limited, Mdantsane City Shopping Centre (Pty) Limited and Phomella Property Investments (Pty) Limited.

# FORM OF PROXY



## TRUWORTHS INTERNATIONAL LIMITED

(Registration number 1944/O17491/O6)

JSE Code: TRU; NSX Code: TRW; ISIN: ZAE000028296

**TRUWORTHS**  
INTERNATIONAL

### ANNUAL GENERAL MEETING: 8 NOVEMBER 2007

**NB This form of proxy is to be completed only by shareholders who hold their shares in certificated form, and by those shareholders who hold dematerialised shares with "own name" registration. Other shareholders must give their voting instructions to their CSDP or broker.**

I/We (full names) \_\_\_\_\_

of (address) \_\_\_\_\_

being a member of Truworths International Limited (the company) and holding \_\_\_\_\_ shares therein, hereby appoint \_\_\_\_\_ or failing him, the chairman of the meeting as my/our proxy to attend, speak, and on a poll vote on my/our behalf, as indicated below, at the annual general meeting of members of the company to be held on 8 November 2007 at 09:30 in the Auditorium, 1st Floor, No. 1 Mostert Street, Cape Town, South Africa and at any adjournment thereof.

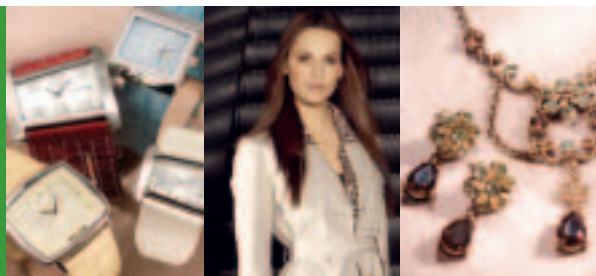
	In favour of	Against	Abstain
Item (1) To receive and adopt the annual financial statements for the period ended 24 June 2007			
Item (2a) To re-elect by separate resolutions the retiring directors who have offered themselves for re-election: <ul style="list-style-type: none"> <li>• CT Ndlovu</li> <li>• MA Thompson</li> <li>• WM van der Merwe</li> </ul>			
Item (2b) To confirm the appointment as director of Mr SM Ngebulana who was appointed by the board with effect from 1 May 2007			
Item (3) To give the directors limited and conditional general authority over the unissued and repurchased shares, including the authority to issue or dispose of such shares for cash			
Item (4)* To give a limited and conditional general mandate for the company or its subsidiaries to acquire the company's shares			
Item (5) To re-elect Ernst & Young Inc. as auditors for the period to 29 June 2008 and to authorise the Audit Committee to agree the relevant terms and fees			
Item (6) To approve the fees of the non-executive directors for the period ended 24 June 2007			

\* Special resolution

Signed at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 2007.

Signature \_\_\_\_\_

## FORM OF PROXY



### NOTES:

1. A member registered as such (either as the holder of shares in certificated form whose name is reflected in the register of company members, or as the holder of shares in dematerialised form whose name is reflected in a sub-register maintained by a CSDP) is entitled to appoint one or more proxies to attend, speak and, on a poll, vote in his/her stead. A proxy need not be a member of the company. Dematerialised shareholders, other than those with "own name" registration, must notify their CSDP or broker of how they wish to vote, in terms of the custody agreement between the shareholder and his/her CSDP or broker. This should be done in the manner and by the time stipulated by the CSDP or broker.
2. Forms of proxy, in order to be valid, must be lodged at or posted to the office of the company's transfer secretaries, Computershare Investor Services 2004 (Pty) Limited, 70 Marshall Street, Johannesburg, South Africa or PO Box 61051, Marshalltown, 2107, South Africa, or Transfer Secretaries (Pty) Limited, Shop 12, Kaiserkrone Centre, Post Street Mall, Windhoek, Namibia or PO Box 2401, Windhoek, Namibia, so as to be received at least 24 hours before the commencement of the meeting. Proxy forms can be submitted by fax to Computershare on +27 (11) 688 5238.
3. If two or more proxies attend the meeting on behalf of the same member, then the person attending the meeting whose name appears first on the form of proxy and whose name is not deleted shall be regarded as the validly appointed proxy.
4. The authority of a person signing a form of proxy in a representative capacity must be attached to the form of proxy, unless such authority has already been recorded by the company.
5. The delivery of a duly completed form of proxy shall not preclude any member or his duly authorised representative from attending the meeting and speaking and voting thereat to the exclusion of the proxy.
6. If this form of proxy is returned without any indication as to how the proxy should vote, the proxy will be entitled to vote or abstain from voting as he/she thinks fit.
7. Members wishing to propose modifications to special resolution 1, or any other resolution, are required to furnish their proposals in writing for consideration at least 24 hours prior to the commencement of the meeting.